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# **CORPORATE SOCIAL RESPONSIBILITY IN THE BANKING INDUSTRY IN KUWAIT**

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## **Abstract**

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Corporate Social Responsibility in the Banking Industry in Kuwait

**Key words:** Corporate social responsibility, Western banking, Islamic banking, stakeholder perceptions, marketing communications

As a result of globalization, the concept of Corporate Social responsibility (CSR) has become on the agendas of organizations over the past decade. The organizations in Kuwait are no exception; they have been striving to address and execute the best practices of CSR. The banking sector in Kuwait, which plays a pivotal role in the economy, represents an area of strong interest for anyone wanting to research the depiction of CSR in Kuwait since it was the first sector that introduced corporate social responsibility and is considered a pioneer in that field. However, no studies were found that have examined CSR policies in practice in Kuwait or in the banking sector in particular. This thesis therefore focuses on obtaining a better understanding of how corporate social responsibility works in practice in the Kuwaiti banks from the perspective of three groups: the decision makers of CSR in the Kuwaiti banks, the employees of the banks, and the banks' customers.

The researcher used a qualitative approach in which data were collected using interviews and document analysis. The collected data were interpreted and analysed and thereafter drawn the conclusion that banks are very clear in defining their CSR objectives which are aligned with their overall corporate strategy. However, there were commonalities and differences in how stakeholders understand and perceive CSR. The study also revealed that both the 2008 financial crisis and Islam influenced the way CSR is exercised in the banks, and moderately, influenced the employees and customers.

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# **Chapter 1: Introduction**

## **1.1 Background**

In an increasingly globalised world, corporate social responsibility (hereafter CSR) has become a worldwide issue of importance and concern across several industries. This is due to increased attention from stakeholders who have come to understand that organisations are not isolated institutions, but rather a dynamic part of the environment they exist in and, therefore, should act as any other citizen in being part of their society. Furthermore, globalisation has changed the context in which businesses operate, and where new stakeholders and different national legislations are putting high expectations on businesses and are altering how the social, environmental, and economic impacts should be optimally balanced in decision making (Dahlsrud, 2006). This has led organisations all over the world to put CSR firmly on their business agenda, as organisations are now taking responsibility for their actions and their impact on society.

The definition of CSR has evolved over the past few decades. There is uncertainty in both the corporate and the academic world as to how CSR should be defined (Dahlsrud, 2006; Lantos 2001; Sasse and Trahan, 2007). Votaw and Sethi (1973) considered CSR as being “something, but not always the same thing to everybody”. Fundamentally, CSR is based on a simple idea that corporations have obligations to society that extend beyond mere profit-making activities (Godfrey and Hatch, 2007).

Scholars focused on identifying the drivers that motivate organizations to have CSR. Brown and Dacin (1997) argued that the adoption of CSR has a positive impact on product and company evaluation. Loyalty has been also mentioned as a positive effect by Pirsch et al. (2007). In contrast, other scholars argue that campaigns with social objectives are not effective in reaching economic objectives (Drumwright, 1996), and under certain conditions can decrease intentions to buy a product (Sen and Bhattacharya, 2001). Due to this contradiction, more insight is needed on the motives that drive corporations to exercise CSR and the impact of the adoption of CSR on various stakeholders.



During the last 15 years, banks have played a major role in the field of social responsibility due to their powerful impact on the economy. More and more stakeholders now demand ethical and sustainable consideration from their banks (Jeucken, 2004). As a result, CSR is now on the agenda of almost all international banks in the globalised and interdependent world. Furthermore, the global financial crisis has urged organisations to provide more support for CSR because such initiatives provide social support for overcoming the downturn (Karaibrahimoglu, 2010).

The Kuwaiti banking sector stands as one of the most robust in the Gulf region, benefiting from the country's economic growth, as well as the effective supervisory framework exerted by the Central Bank of Kuwait. The banking sector in Kuwait, in addition to the Central Bank, is mainly composed of five conventional banks (National Bank of Kuwait, Gulf Bank, Commercial Bank, Burgan Bank, and Ahli Bank); ten foreign banks (BNP Paribas, Citi Bank, HSBC, Bank Muscat, Bank of Bahrain and Kuwait, Qatar National Bank, Mashreq Bank, Doha Bank, AlRajhi Bank, and National Bank of Abu Dhabi); and four Islamic banks (Kuwait Finance House, Boubyan Bank, Ahli United Bank, and Kuwait International Bank). The global financial crisis has weakened the Kuwaiti banks significantly; the banks have suffered from liquidity pressure and losses on account of higher provisions (Singh, 2010). Despite the positive signs of recovery, the banks are continuing to clean up their loan books, and their performance is still affected by an undiversified operating environment which is heavily dependent on the oil sector and limited opportunities (Singh, 2010). The financial crisis weakened the reputation of the Kuwaiti banks that were perceived by the stakeholders as bringing great risk to the society due to their irresponsible and, in some instances, illegal transactions. This has made the stakeholders lose their trust and confidence in their banks. As a result, they are demanding the banks in Kuwait to be socially responsible and to demonstrate their commitment to ethical and responsible practices.

All conventional and Islamic banks in Kuwait exercise CSR and acknowledge the important role that they must play with regard to CSR. This leads to enormous investment in order to fulfil their responsibilities towards society. Banks are also acknowledging the growing importance of CSR in Kuwait and the pressure of stakeholders for organizations to be socially responsible which

has been observed by the researcher since she works in this sector. It is important to highlight that the international banks operating in Kuwait undertake limited activities, mostly corporate banking, due to the Central Bank regulations that aim to ensure fair competition with local banks; this has limited the scope of their operation and made it irrelevant for them to practice CSR in Kuwait. Although the depiction of CSR in Kuwait is relatively new (2007 onwards), banks in Kuwait have managed to succeed in complying with society's expectations and have attracted positive responses from all stakeholders.

There is global recognition of CSR in financial institutions in developed countries, and large volumes of literature can be found on CSR practices in the banking sector in these countries, however, there appears to be a lack of interest in the relevance of this concept in the Middle East, and little research has until this point been conducted into CSR practices in the banking sector in this part of the world, or in Kuwait in particular. Moreover, CSR practices in the banking industry in Kuwait are relatively recent as they only started at the beginning of 2007. It is, therefore, the right time to assess how banks in Kuwait have implemented CSR, in order to understand the characteristics of the CSR framework in the banking sector in Kuwait and the current approaches and practices. Furthermore, it is an opportunity to discover the impact of the 2008 financial crisis on CSR conceptualizations and practices as well as investigate the influence of Islam on CSR practices since it is the main religion in Kuwait and its values encourage Muslims to contribute to the people in need and motivate them to integrate ethics in their dealings. This research will also investigate the stakeholders' understanding of CSR and its effect on their employment and banking decisions in addition to their perception of the banks in Kuwait. Two groups of stakeholders were chosen; which are the employees and the customers of the Kuwaiti banks. A credible social responsibility programme should cover all key stakeholders; however, in this research the focus was on employees and customers of the banks as the researcher – who works in the same sector- has seen that most of the CSR activities were targeting those two groups as engagement and communication was higher than other groups of stakeholders. Moreover, it is easier to approach and reach those two groups to participate in the study in comparison to the other groups, and also due to time limitation, it will be difficult to include all stakeholders.

## **1.2 Research aim**

There are very few, if any, studies that have examined CSR policies and practice in Kuwait or in the banking sector in particular. This study therefore aims to obtain a better understanding of how corporate social responsibility works in practice in the Kuwaiti banks from the perspective of three groups: the decision makers of CSR in the Kuwaiti banks, the employees of the banks, and the banks' customers.

## **1.3 Significance of the study**

This research will contribute towards filling a gap in the knowledge by addressing the Kuwaiti banks' approach to CSR, because most extant studies on CSR have focused on the situation within Europe or the USA and no research was discovered on CSR practices in Kuwait or in Kuwait's banking sector. In addition, the topic of CSR in Kuwait has gained more interest as stakeholders are demanding that corporations in Kuwait be socially responsible. The banking sector in Kuwait started practicing CSR seven years ago, and it is now the right time to identify how the Kuwaiti banks have interpreted CSR and to consider how successful they have been in having an impact on the various stakeholders.

Moreover, the motives of these banks in exercising CSR, the types of initiatives undertaken in the name of CSR, the effect of Islam and the global financial crisis on the way CSR has been implemented and on stakeholders is currently unknown. Thus, this study has been designed to contribute to these areas of interest. Furthermore, the topic has relevancy for both academia and management, it will contribute to academia through a study from Kuwait and give a greater insight into a subject that is still relatively young and not vastly studied. It will also contribute to management practice by possibly creating a framework and guidelines to be used by practitioners in the CSR field, when developing CSR programmes, recommending ways of improving CSR practices in the banking sector in Kuwait, benchmarking CSR exercises in Kuwait with other parts in the world, and finally, it will inform bank management on important aspects of CSR.

## **1.4 Research questions**

In order to better understand how banks in Kuwait practice CSR, the following three research questions were formulated:

1. How do Kuwaiti banks understand and practically implement CSR? What is the impact of the 2008 financial crisis and Islam on CSR conceptualizations and practices?
2. How do the employees of Kuwaiti banks understand CSR and how does it feature in their employment decisions and attitudes towards their employers? What is the impact of the 2008 financial crisis and Islam on their understanding and perceptions?
3. How do customers of the Kuwaiti banks understand CSR and use it in their banking decisions? What is the impact of the 2008 financial crisis and Islam on their understanding and decision-making?

The researcher hopes by answering these questions, it will be possible to obtain a clear picture of the conceptualization and practical implementation of CSR from the perspective of banks, employees and customers as well as understand the impact of both the financial crisis and Islam on CSR in the banking sector in Kuwait and on stakeholders' perceptions of the banks. Moreover, answering these questions will allow the researcher to make recommendations about how CSR practices in Kuwait can be improved.

## **1.5 Research method**

This research will be a qualitative research and is exploratory in nature as it aims to gain a deeper understanding of the depiction of CSR in the banking industry in Kuwait. According to Creswell (2007), qualitative research is used when a problem or issue needs to be explored. Furthermore, a qualitative approach will be more suitable for answering the research questions and meeting the research objectives, since the researcher aims to obtain complex, detailed information about the depiction of CSR in the banking industry in Kuwait. According to Denzin and Lincoln (2005:3), *"qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them"*. Which is what the researcher intends to do.

When selecting a qualitative approach, the researcher must choose the most appropriate data collection method(s) from interviews, questionnaires, focus groups, and document analysis. Two data collection methods will be used in this research: firstly, interviews of several stakeholders will be conducted to understand the banks' perspective of CSR as well as the employees' and customers' perspective, and therefore gain an understanding of how banks in Kuwait exercise CSR and what approaches and practices towards CSR are currently used. In addition, the interviews will give an insight into the effect of the global financial crisis on CSR conceptualizations and on the stakeholders' perceptions, and find out whether Islam has an effect on the way CSR is implemented and on stakeholders' understanding of CSR. Interviews will be conducted face to face, as this will allow for a rapport to develop more quickly, and with permission from the interviewees, the interviews will be tape-recorded.

The second method involves the analysis of organisational documents. Document analysis will be used to obtain a better understanding of the current approaches and practices of CSR from the perspective of the Kuwaiti banks, and will also be used to determine the influence of Islam on CSR programmes.

## **1.6 Ethical considerations**

The researcher will be following the University of Bradford's Ethical Guidelines (2010) as mentioned in their quality assurance document on regulations for research degrees. Interviews will be used as one of the data collection methods, these interviews will be taken on a voluntary basis. No personal, private, intimate, or confidential information will be obtained, although names of the banks, as well as titles of CSR decision makers were disclosed since consent was given. Anonymity and confidentiality of other employees interviewed, as well as customers will be maintained to ensure that interviewees will not be identified. The researcher will offer information about the research and its aims in a way that will help participants to understand what participation will involve. Furthermore, the request for participation letter mentions that a summary of the output can be obtained upon request. The researcher also made it clear that the thesis may be published and hence accessible. Moreover, participants will be offered the choice to review the transcripts if they want to.

Since the researcher works in the same field, it is possible that some participants may feel able to share confidences as though speaking to a colleague when in fact they are providing information to a researcher. De Walt and De Walt (2002) suggest that researchers actively encourage this conflation of roles, since it is when people forget the researcher's ulterior motives that they begin to share the insights and information to which only "insiders" gain access. However, comments that appear to be made "off the record" are not included despite being of potential interest. Moreover, the researcher ensured participants' awareness of her working in the same field to avoid any possibility of conflicts of interest.

As for the document analysis, no consent was obtained, since the documents analysed are all available and disseminated in public domains.

In terms of data storage, hard copies such as interview notes, printed documents, and video or audio tapes will be kept securely locked away, while soft copies will be password protected and only accessed by the researcher.

## **1.7 Outline of chapters**

This study consists of six chapters. Chapter 2 is a review of the literature: it is an overview of studies relevant to CSR. The researcher chose to focus her theoretical framework on theories related to CSR definitions and motives that drive organisations to exercise CSR, the impact of CSR adoption on various stakeholders, a review of CSR in light of Islam through a presentation of Islamic values and principles that are in line with the concept of CSR, an overview of the banking industry in Kuwait, a discussion about the effect of the global financial crisis on the banking industry, the communication of CSR, as well as a synopsis on CSR in non-western context.

In Chapter 3, the research methodology will be presented through discussing the research process, how preparations were made, and how the collection of the empirical data was conducted. The researcher will also outline the research's limitations, reliability and validity, as well as the employed methods of analysing data. Chapter 4 will present the findings of the empirical study which will be analysed and connected to the theoretical framework. Chapter 5 will present the conclusions, significance of the research, and possible further

research. Finally, chapter 6 will discuss the recommendations and application of findings to practice.

## **Chapter 2: Literature review**

Despite the well-known effect of corporate social responsibility on the way business is conducted today, significant attention in academic studies (Bhattacharya and Sen, 2004; Carrol, 1991; Drumwright, 1996), and numerous efforts to bring about a clear definition of CSR, there is still some confusion as to how CSR should be defined and what are the direct and indirect effects of exercising CSR on stakeholders. Therefore, this chapter serves to review previous work on the subject of CSR, and is structured as follows.

First, the concept of CSR is explored in depth through the review of historical elements that have influenced the broad concept as it is known today. The second section elaborates on several theories of CSR that explain and answer the question as to whom an organisation has a responsibility, and their related approaches. After that, the motives behind exercising CSR are discussed. The fourth section in this chapter clarifies the impact of CSR on various stakeholders. Thereafter, a section is dedicated to reviewing the Islamic definition of CSR. This area has not received enough attention in the established literature. Therefore, the Islamic effect on how CSR is implemented in corporations operating within this context is clarified subsequently. The following section describes CSR in the banking industry in general and banks in Kuwait in particular. As one of several industries adopting CSR practices, the banking sector is also recognised as one of the most important industry sectors in the globe, therefore, CSR is likely to play an important role in the daily practices of banks. However, in the CSR literature, the banking industry receives less attention from researchers, who seem to focus mainly on industries that are acknowledged as problematic in terms of environmental issues, such as oil and gas. The effects of the global financial crisis with regard to CSR funding is explored in section seven; in times of recession, and while corporations strive to maintain cash and liquidity, a review of how CSR should take account of these concerns and evolve to survive is conducted. The ninth chapter covers literature relating to CSR communication. This is a very important part of CSR, as a disconnection between CSR initiatives and public awareness can hamper any potential benefits to organisations. Finally, and since the key contribution of this research is a presentation of a non-Western



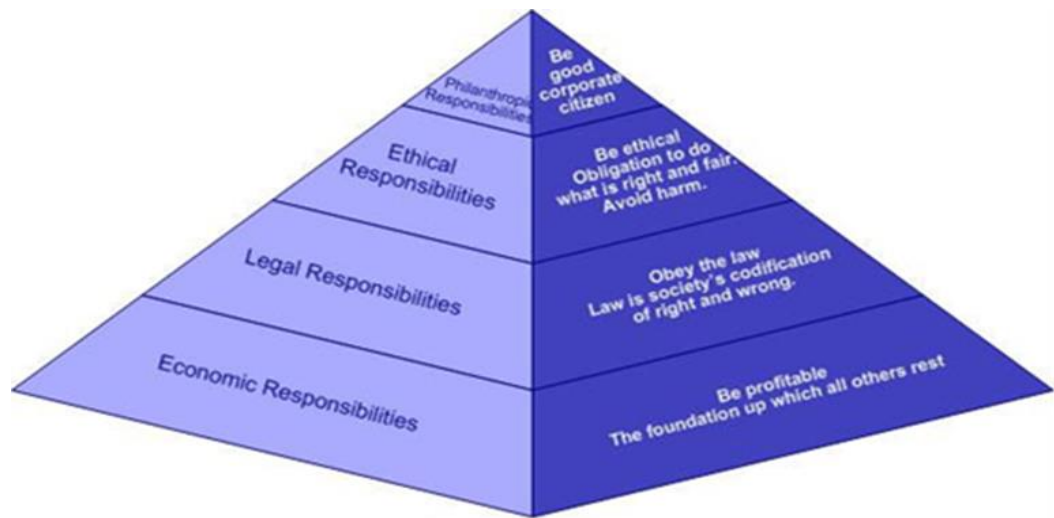
perspective of CSR, the last section is dedicated to highlight studies of CSR, covering Asia, Africa and the Middle East.

## **2.1 CSR definition**

Substantial arguments have taken place among academics, consultants, and corporate executives resulting in many definitions of a more humane, ethical, and transparent way of doing business (Van Marrewijk, 2003). Corporate social responsibility in particular, has been thoroughly discussed (Goebbels, 2002) resulting in a wide array of concepts and definitions. Over the past several decades, CSR has evolved from a narrow notion into a complex and multidimensional concept. In other words, it is a dynamic concept that has changed over time and a concept that will most probably keep changing. When reviewing literature, many authors appear as the main theorists. Nevertheless, the variety of definitions and studies brought by them show that there is still no universal understanding in the corporate or academic world about how the term should be defined (Dahlsrud, 2006; Lantos, 2001; Sasse and Trahan, 2007). Jackson and Hawker (2001) argue that: “We have looked for a definition and basically there isn’t one”. Moon et al (2004) argue that CSR is an “essentially contested concept” because it is “appraisive”; “internally complex”; and the rules of application are relatively “open”.

Carroll’s (1979) important four-part definition of CSR suggests that there are four responsibilities that need to be fulfilled to have proper CSR. These four responsibilities are economic, legal, ethical, and philanthropic. Accordingly, Carroll illustrated the complexity and the categories of a broadly interpreted corporate responsibility in a pyramid (see Figure 1), that shows how companies’ responsibilities increase over time (Sachs et. al, 2005). According to Carroll (1979), the first two layers of the pyramid are required from all corporations because corporations have to be profitable to stay in business and also have to obey laws and adhere to regulations. Whereas the fulfilment of ethical responsibility comes next, as society expects corporations to fulfil this responsibility, yet it is not a legal requirement of business. In this responsibility category, obeying laws is a minimal behaviour, while corporate behaviour is expected to exceed this minimal requirement (Yotsumoto, 2010). This can be

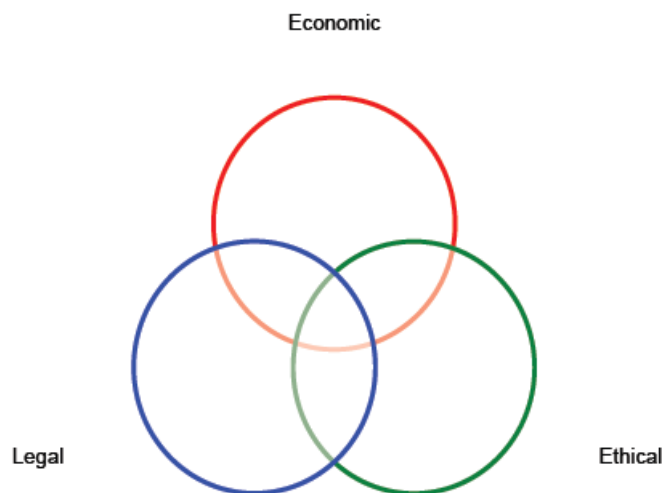
seen in terms of practices that do not violate laws but are ethically questionable. Here, corporations are expected to avoid these practices.



**Figure 1: Carroll's model of corporate social responsibility**

The final responsibility in the pyramid is philanthropic responsibility, which is the highest level of responsibility that corporations strive for and is the responsibility that is the focus of CSR in the literature (Yotsumoto, 2010). Philanthropic responsibilities are considered as being “expected” or “desired” by society, and involve corporations making monetary contributions to community development, community improvement programmes, youth development programmes and so forth. Employees of these corporations are also encouraged to participate in community programmes as volunteers. The third and fourth responsibilities in Carroll's pyramid are not forced, but are anticipated to meet expectations. According to Aupperle (1982), Carroll's pyramid has become a benchmark for defining the concept of CSR. Aupperle (1982) parallels Maslow's hierarchy of needs to Carroll's pyramid. Maslow's hierarchy of needs represents the micro motivations of individuals, categorising them, from a low to high level, into five groups of needs: physiological, safety and security, belongingness, self-esteem, and self-actualisation. The higher needs are not important until the lower needs are fulfilled. Aupperle (1982) sees Carroll's conception of CSR as having a similar hierarchy to organisational responsibility. In this conception, Aupperle argues that lower order needs have to be fulfilled before higher order needs are carried out. Therefore, a corporation has to be profitable before it participates in charity. In a quest to propose an alternative approach to CSR that strives to augment and amend Carroll model, a new definitional CSR construct was set

up and was called “the three domain approach”(Schwartz and Carroll, 2003). Based on this approach, the three core domains of economic, legal, and ethical responsibilities are depicted in a Venn model framework. Central to the amendment of Carroll’s pyramid is the argument that the pyramid structure suggests a hierarchy, and that philanthropic activities are the most valued and the economic domain is the least, which could lead to the misunderstanding of the priorities of the four CSR domains. In the three domain approach, the philanthropic category is subsumed under the ethical and/or economic domains, reflecting the possible differing motivations for philanthropic activities (Schwartz and Carroll, 2003). By using a Venn diagram, the model suggests that none of the three CSR domains is more important or significant relative to the others (see Figure 2).



**Figure 2: The three domain approach by Schwartz and Carroll (2003)**

From the diagram it can be seen that there are not only three main and pure domains, but also four overlapping parts resulting in seven categories for companies to conceptualize, analyze and illustrate their CSR actions: purely economic, purely legal, purely ethical, economic / ethical, economic / legal, legal / ethical, economic / legal / ethical (Schwartz and Carroll, 2003).

Furthermore, CSR has been variously defined in many places; a selection of definitions follow. Wood (1991:693) defines CSR as:

*“a business organisation’s configuration of principles of social responsibility processes of social responsiveness, and policies, programs and observable outcomes as they related to the firm’s societal relationships”.*

The Commission of the European Communities (2001) defines CSR as:

*“a concept whereby companies integrate social and environmental concerns in the business operations and in their interactions with their stakeholders on a voluntary basis”.*

Bloom and Gundlach (2001:142) believe CSR to be:

*“The obligations of the firm to its stakeholders—people and groups who can affect or who are affected by corporate policies and practices. These obligations go beyond legal requirements and the company’s duties to its shareholders. Fulfillment of these obligations is intended to minimize any harm and maximize the long-run beneficial impact of the firm on society”.*

Warhurst and Mitchell (2000) define CSR as

*“... internalization by the company of the social and environmental effects of its operations through pro-active pollution prevention and social impact assessment so that harm is anticipated and avoided and benefits are optimised”.*

In their book *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*, Philip Kotler and Nancy Lee (2005: 3) defined CSR as:

*“a commitment to improve community well-being through discretionary business practices and contributions of corporate resources”.*

In terms of factors that influence and define the scope of CSR in an organisation, Aguilera et al. (2006) argue that CSR differs according to the region, nation, industry, and company. However, the relationship among these four contexts is not independent. For instance, at an organisational level, the intensity of CSR commitment is not only influenced by the individual or the organisation, but also by the nation. At a national level, the scope of CSR differs according to the country’s cultural, economic, environmental, and political contexts (Welford, 2005). As for the industry level, which has received a lot of

attention from researchers (Etzion, 2007), it has been seen that industries that are acknowledged as being problematic are addressed more in terms of CSR engagement; for instance, the chemical industry and the energy sector have incredible impacts on the natural environment and therefore have a responsibility toward society to decrease pollution wherever possible. However, this does not mean that organisations within the same industry should have the same scope of CSR. At the company level, a number of factors affect the scope of CSR, such as internal conditions, strategic attributes, contingency attributes, and stakeholder pressures (Henriques and Sadorsky, 1996; Etzion, 2007). Brammer and Millington (2002) also added firm size as another factor that can influence the scope of CSR. Thus, companies need to adapt their CSR strategies according to their business as well as these factors, since “one CSR size does not fit all” (Bhattacharya and Sen, 2004:10).

### **2.1.1 The historical context of CSR**

Carroll (1999) reviewed and discussed over 25 different conceptual definitions of CSR within the academic literature. Carroll traced the evolution of the CSR construct to the 1950s, which marks the beginning of the modern era of CSR. Since the early 1950s, theory, research, and practices surrounding CSR have become central topics in business research. By looking at the historical context of CSR, we can obtain a better understanding of how ideas have come into existence. It is clear that earlier commencements of social responsibility were quite different from today's standards. In the 1950s, social responsibility was considered as simple as “to make profit” or as vague as “to pursue those policies . . . which are desirable in terms of the objectives and values of our society” (Carroll, 1999:270).

Carroll's (1999) literature review of CSR definitions in academic literature, dated the first formal definition to Howard R. Bowen (1953), who is recognised as the pioneer of modern conceptualisations of CSR. Bowen's book, *Social Responsibilities of the Businessman*, is considered to mark the beginning of the modern period of literature on this subject. Bowen (1953) argues that businessmen have:

*“an obligation to pursue those policies, to make those decisions or to follow those lines of actions which are desirable in terms of the objectives and values of society”.*

Hence, Bowen's definition was more focused on the duties of the individuals and not the firm “wherein CSR, or the *social consciousness* of managers meant that businessmen were responsible for the consequences of their actions in a sphere somewhat wider than that covered by their profit-and-loss statements.” (Carroll, 1999:270). In 1958, five years after Bowen's publication, the actual phrase **corporate social responsibility** was introduced by Theodore Levitt, hence, he could be given credit for starting the ongoing debate concerning CSR (McWilliams et. al, 2006). Peter Drucker was also one of the first to explicitly address CSR, including public responsibility, as one of the eight key areas for business objectives developed in his 1954 book, *The Practice of Management*. Although Drucker believed that management's first responsibility to society involves making a profit, “he felt it was also most important that management consider the impact of every business policy and action upon society” (Joyner and Payne, 2002:302).

The decade of the 1960s was marked by substantial attempts to formalise what CSR means (Carroll, 1999). Some definitions of CSR in the 1960s included: “an interest in politics, in the welfare of the community, in education, and in the happiness of its employees” (Davis, 1960: 12), and “recognizing the intimacy of the relationships between the corporation and society and realizing that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals” (Davis 1960: 13). Davis (1960) also argued that social responsibility is a nebulous idea, but should be seen in a managerial context. He also stressed that some socially responsible business decisions could be justified by a long, complicated process of reasoning as having a good chance of bringing long-run economic gain to the firm, thus paying it back for its socially responsible outlook.

Through the 1970s, CSR was predominantly perceived in terms of business performance. Some definitions of CSR included:

*“social responsibilities as more of an attitude . . . a philosophy that looks at the social interest and the enlightened self-interest of*

*business over the long run as compared with the old, narrow, unrestrained short-run self-interest” (Steiner , 1971:164).*

And “social responsibility ... states that businesses carry out social programs to add profits to their organization” (Johnson, 1971: 54). Johnson (1971:50) also identified a socially responsible firm as:

*“... one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation”.*

Friedman (1970), who was a world-known economist and was rewarded with the Nobel Memorial Prize in Economic Science for his many achievements in 1976, stated that CSR would create an agency problem because engagement in CSR may waste company resources. Friedman believes that the most beneficial way to help society is by making profit and hence, resources are best spent on value-added projects. Friedman’s view has been widely referred to as an illustration of the classic economic view that corporations only have one responsibility, which is to maximise profits. Friedman’s conceptualisation of CSR was questioned and disagreed upon by many academics, because it implies that social investment is an unnecessary expenditure that has no positive benefit to the company. However, if this social investment has a positive benefit, then this should not be regarded as CSR, but rather a feature of business strategy.

The final change in approach came in the 1980s when CSR began to move toward a stakeholder perspective, which is best demonstrated by the following statement from Carroll in 1991:

*“There is a natural fit between the idea of corporate social responsibility and an organisation’s stakeholders [...] The concept of stakeholder personalizes social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation.”*

From a stakeholder perspective, business success depends on its relation with all relevant stakeholders, as their actions can have considerable consequences for a firm (McWilliams et al., 2006). In line with that, companies can benefit from exercising CSR to generate appreciation and satisfaction among stakeholders,

and to obtain necessary support for the company. Moreover, Dalton and Cosier (1982) demonstrated a model depicting a 2 x 2 matrix that shows “illegal” and “legal” on one axis and “irresponsible” and “responsible” on the other axis. They then suggested that there were “four faces” of social responsibility, as depicted by the four cells. As a result, they concluded that the “legal-responsible” cell was the appropriate CSR strategy for firms to follow.

A significant development in terms of CSR was seen in 1980 when the global debate on sustainable development emerged. The World Conservation Strategy, published in 1980, stressed the interdependence of conservation and development and was the first to conceptualise “sustainable development” (Tilbury and Wortman, 2004). In 1987, the World Commission on Environment and Development (WCED) published the *Brundtland Report, Our Common Future*. The report states that “Sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future” (World Commission on Environment and Development, 1987). Moreover, the stakeholder theory was also presented in the 1980s by Freeman (1984) and will be discussed in more detail in the following section.

The literature of the 1990s did not expand the definition of CSR, however, the concept of CSR was used as the base point, building block, or point-of-departure for other related concepts and themes, such as the corporate social performance (CSP) model, which was presented by Wood (1991) and was based on three dimensions: principles, processes, and policies as well as the triple bottom-line theory by Elkington (1994) which suggests that the “bottom line” of conducting business should be transformed into the “triple bottom line” of people, profit, and planet, where all are of equal importance to management. Based on this theory companies should be measured on their economic, environmental, and social performance (Elkington, 1994).

In the 2000s, corporations’ obligations to CSR became closely connected to their core business and stakeholders, more focus was put on corporate citizenship, which describes the role of the corporation in administering citizenship rights for individuals (Matten and Crane, 2005). Moreover, CSR is now regarded as an independent management field (Kakabadse et. al, 2005).



The below table summarises the historical development of CSR along with the themes that emerged within the understanding of the evolution of CSR:

Year	Theme	Author
<b>1950s</b>	Social responsibilities of business people	Bowen (1953)
<b>1960s &amp; 1970s</b>	Managerial implications	Davis (1960)
	Business performance	Johnson (1971)
	Shareholders approach	Friedman (1970)
<b>1980s</b>	Stakeholder theory	Freeman (1984)
	Sustainable development	World Commission on Environment and Development (1987)
<b>1990s</b>	Corporate social performance	Wood (1991)
	Triple bottom line	Elkington (1994)
<b>2000s</b>	Corporate citizenship	Matten and Crane (2005)
	CSR as a management field	Kakabadse et al.(2005)

**Table 2.1: Evolution of CSR**

As can be seen, despite the vast amount of literature concerning CSR definition, no uniform or universal definition has ever been established. Many authors believe that the definition differs according to the business and society's context. Dahlsrud (2006) argues that confusion exists about how CSR is socially constructed in a specific context. Moreover, Maignan and Ralston (2002) stress that organisations from different countries display varying levels of devotion to appear socially responsible, and that they use their own means to communicate their socially responsible image. Carroll (1991) also explained that part of the difficulty in defining CSR is the fact that it is hard to determine what the concept practically implies for management due to, for example, the variations in corporate size, product offerings, profitability and resources, and in impact on society and stakeholders. Furthermore, CSR is a cluster concept that overlaps with concepts such as corporate responsibility, corporate citizenship, corporate governance, corporate sustainability and business ethics (Matten & Moon, 2006). This makes the progress of developing a globally accepted and comprehensible definition and conceptualisation of corporate social responsibility even more challenging.

Having presented and discussed various definitions of CSR, it must be concluded that CSR is an elusive concept. The discussion of the various standpoints has, however, made it possible to identify a number of elements

encompassed in the concept of CSR; the key elements of CSR have been found to be: economic responsibilities, social responsibilities, environmental responsibilities, ethical responsibilities, philanthropic responsibilities, and stakeholder relationships.

In this thesis, CSR will be defined as follows: doing business that stands for transparency and stakeholder satisfaction, while fulfilling economic obligations and promising to integrate the social and environmental concerns in business operations, and by this means, creating shared value.

## **2.2 CSR theories**

This section will cover the different theories proposed by many scholars to better understand CSR. As the field of CSR grows, more and more theories and approaches are presented to describe the phenomena. The researcher will use the classification presented by Garriga and Mele (2004) in their article *Corporate Social Responsibility Theories: Mapping the Territory* as the basis, since she believes that most of CSR theories can fall under one of the four groups addressed by Garriga and Mele: (1) instrumental theories, in which the corporation is seen as an instrument for wealth development and that social activities are only a means to achieve economic results; (2) political theories, which concern themselves with the power of corporations in society and the use of this power in the political arena; (3) integrative theories, which are seen when a corporation concentrates on the satisfaction of social demands; and (4) ethical theories, which are based on ethical responsibilities of corporations to society.

### **2.2.1 Instrumental theories**

The theories that fall under this category are the ones in which CSR is seen as a strategic tool to achieve economic objectives and, ultimately, wealth creation (Garriga and Mele, 2004). There are many studies that have concluded that there is a positive correlation between social responsibility and financial performance of corporations (Griffin and Mahon, 1997; Key and Popkin, 1998; Waddock and Graves, 1997).

Garriga and Mele (2004) identified three groups of instrumental theories depending on the economic objective. The first group aims at maximising the shareholder value, measured by the share price. This will lead to short-term

profits orientation. The second group of theories focuses on the strategic goal of achieving competitive advantage, which will generate long-term profits. The third group of theories comprise cause-related marketing, which is very similar to the second group.

#### **2.2.1.1 Maximising the shareholder value**

With this straightforward objective, firms participate in social activities that solely produce an increase in shareholder value, and any social activity that could impose a cost on the firm will be rejected. This notion is well illustrated by Friedman (1970), who argues that:

*“... the only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country”.*

He also stated that those who spread the idea of business as not concerned “merely” with profits, “are preaching pure and unadulterated socialism”. It is a doctrine that “harms the foundation of a free society. This theory is called a “fiduciary capitalism” theory, which assumes that managers are fiduciary agents of the owners of the company’s capital and, accordingly, their obligation is to fulfil their fiduciary duties in compliance with the law and the ethical customs of the country. Thus, management here is “shareholder value-oriented” where the maximisation of the shareholder value is the ultimate goal for corporate governance and business management.

Furthermore, the agency theory goes along with the approach of shareholder value maximisation and is the most popular way to articulate this goal (Jensen and Meckling, 1976; Ross, 1973). According to this theory, owners are the principals and managers are the agents. Managers will bear fiduciary duties towards the former, and are generally subject to strong incentives to align their economic interests with those of the owners, and with the maximisation of shareholder value. However, today it is commonly accepted that under certain conditions the satisfaction of social interests of stakeholders contributes to maximising the shareholder value (Garriga and Mele, 2004). In this respect, Jensen (2000) has proposed the “enlightened value maximisation” which specifies long-term value maximisation as the firm’s objective, which permits some trade-offs among its stakeholders.

### **2.2.1.2 Achieving competitive advantage**

This group focuses on achieving long-term social objectives and creating competitive advantage. Garriga and Mele (2004) identified three approaches for achieving competitive advantage: (a) social investments in a competitive context, (b) natural resource-based view of the firm and its dynamic capabilities and (c) strategies for the bottom of the economic pyramid.

#### **(a) Social investments in a competitive context**

This approach basically relies on Porter and Kramer's (2002) application of the well-known Porter model on competitive advantage to consider investment in areas of what they call a competitive context. They claim that investing in philanthropic activities may be the only way to improve the context of the competitive advantage of a firm, and usually creates greater social value than individual donors or government can. Porter and Kramer concluded:

*"... philanthropic investments by members of [a] cluster, either individually or collectively, can have a powerful effect on the cluster competitiveness and the performance of all its constituents companies" (2002: 60).*

#### **(b) Natural resource-based view of the firm and its dynamic capabilities**

The resource-based view approach maintains that for a firm to perform better than its competitors, there should be a unique interchange between human, organisational, and physical resources over time (Barney, 1991; Wernerfelt, 1984). The dynamic capabilities approach on the other hand, focuses on the drivers behind the creation, evolution, and recombination of the resources into new sources of competitive advantage (Teece et al., 1997). Based on this approach, some authors have identified social and ethical resources that can be a source of competitive advantage, such as the process of moral decision-making introduced by Petrick and Quinn (2001), the process of perception, deliberation and responsiveness, or capacity of adaptation (Litz, 1996), and the development of proper relationships with the primary stakeholders: employees, customers, suppliers, and communities (Harrison and St. John, 1996).

### (c) Strategies for the bottom of the economic pyramid

This approach basically focuses on strategies that will serve and target the bottom of the economic pyramid, which is the lower class, and at the same time make profit. Christensen and Overdorf (2000) introduced the disruptive innovation strategy which suggests developing products and services that do not have the same capabilities and conditions as those being used by customers in the mainstream markets, and therefore, will have low cost production, but will serve and improve the social and economic conditions at the base of the economic pyramid. Hence, creating a competitive advantage for the firms. A common example of the adoption of this strategy is when telecommunication companies invent small phones that have fewer services or come up with packages that suit the base of the economic pyramid. In Kuwait, and within the context of this study – the banking industry – Burgan Bank has introduced the value pack, which caters to this segment of society and is designed to offer the bottom of the economic pyramid basic banking products, such as a basic salary account with a limited number of services, at a lower cost. The bank achieved competitive advantage in this regard and was recognised for this product, since it was the only bank in Kuwait that catered to the banking needs of this segment.

#### **2.2.1.3 Cause-related marketing**

Cause-related marketing involves enhancing the company's revenues and customer relationships through the acquisition of, and association with the ethical or social responsibility dimension (Murray and Montanari, 1986; Varadarajan and Menon, 1988). McWilliams and Siegel (2001:120) pointed out:

*“... support of cause related marketing creates a reputation that a firm is reliable and honest. Consumers typically assume that the products of a reliable and honest firm will be of high quality”.*

A good example for this could be eco-friendly or non-animal-tested products which can be perceived by some buyers as preferable to other competitors' products. Another example would be stores that allocate a percentage of their proceeds towards a specific cause. In Kuwait, this concept was recently introduced by a local restaurant where the mission statement is: “to serve comfort food in distinctive styles of our own – with a cause”. The cause changes

every three months to reflect the changing seasons and to serve a greater good. Their motto is: “Come on in and eat for a cause”. Despite limited menu selections and the unattractive location of the restaurant, it has attracted customers and created product distinction. This agrees with Smith and Higgins’s (2002) discussion, where they believe that cause-related marketing seeks product differentiation by creating socially responsible attributes that affect company reputation.

### **2.2.2 Political theories**

The political theories focus on the responsible use of business power, and include both political considerations and political analysis in the CSR debate (Garriga and Mele, 2004). According to the political theories, corporations are understood as being like citizens with certain involvement in the community. There are three major theories that explain CSR from a political perspective: corporate constitutionalism, integrative social contract theory, and corporate citizenship.

#### **2.2.2.1 Corporate constitutionalism**

The origin of the political power of CSR is based on Davis’s (1960) idea, that business is a social institution and it must use power responsibly. Davis formulated two principles that explain how social power has to be managed: “the social power equation” and “the iron law of responsibility”. The social power equation principle states that “social responsibilities of businessmen arise from the amount of social power that they have” (Davis, 1967:48). Here, Davis rejects the idea of total responsibility of business, where the limits of functional power come from the pressures of different constituency groups that channel organisational power in a supportive way to protect other interests against unreasonable organisational power (Davis, 1967). As a result, his theory is called “corporate constitutionalism”. The iron law of responsibility refers to the negative consequences of the absence of using power:

*“... whoever does not use his social power responsibly will lose it. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it because other groups eventually will step in to assume those responsibilities” (1960:73).*

Thus, an organisation that does not use its social power, will lose its position in the society because other groups will occupy it, especially when society demands responsibility from business (Davis, 1960).

#### **2.2.2.2 Integrative social contract theory**

This theory stems from the social contract tradition which assumes that business has indirect obligations towards society. Donaldson and Dunfee (1994) extended this approach and proposed the “integrative social contract theory” (ISCT) to take into account the socio-cultural context and integrate empirical and normative aspects of management. According to Donaldson and Dunfee, this theory offers a process in which the contracts among industries, departments, and economic systems can be made legitimate by agreeing with the rules of any social contract, which they have named as “hyper-norms”.

#### **2.2.2.3 Corporate citizenship**

According to the corporate citizenship theory, a firm is understood as being like a citizen with certain involvements in the community. Davis (1973:313) wrote that:

*“... social responsibility begins where the law ends. A firm is not socially responsible if it merely complies with the minimum required of the law, because this is what a good citizen would do”.*

According to Garriga and Mele (2004), the concept of corporate citizenship has always indicated a sense of belonging to a community. That is why it has been popular among managers and business people, because it is increasingly clear that business needs to take into account the community where it is operating.

During the World Economic Forum in New York in 2002, 34 CEOs of the world’s largest multinational corporations signed a document titled: *Global Corporate Citizenship - the Leadership Challenge for CEOs and Boards*. In this document, corporate citizenship was defined as:

*“[The] contribution a company makes to society through its core business activities, its social investment and philanthropy programs, and its engagement in public policy.”* (Garriga and Milly, 2004)

Many other authors have also taken corporate citizenship as synonymous with philanthropy (Carroll, 1991; Matten et al., 2003; Garriga and Mele, 2004). With

the increased association of corporate citizenship with the global sense of business, Wood and Logsdon (2001) suggested using the expression “business citizenship” and “global business citizenship” instead of corporate citizenship, to make clear that this term is not limited only to philanthropy, and also to introduce a global sense for citizenship.

### **2.2.3 Integrative theories**

According to Garriga and Mele (2004), this set of theories looks at how businesses integrate social demands, arguing that businesses depend on society for their existence and growth. Hence, the theories of this group focus on the detection and scanning of, and response to, the social demands that achieve social legitimacy and social acceptance. Four approaches have been introduced by Garriga and Mele (2004) to integrative theories: issues management, the principle of public responsibility, stakeholder management, and corporate social performance.

#### ***2.2.3.1 Issues management***

Issues management is a concept that emphasises the process for making a corporate response to social issues (Garriga and Mele, 2004). It is defined by Waddock and Rude (1986: 124) as: “the processes by which the corporation can identify, evaluate and respond to those social and political issues which may impact significantly upon it”. Waddock and Rude argue that issues management can serve to minimise surprises that accompany social and political change by acting as an early warning system for potential threats and opportunities.

#### ***2.2.3.2 The principle of public responsibility***

The principle of public responsibility is a concept introduced by Preston and Post (1975) in an attempt to emphasise the relation between business and social demands further, by suggesting that law and the public good are a reference for corporate social performance. Preston and Post argue that the public process is more important than the social and personal morality views or narrow interest groups defining the scope of responsibilities.



### **2.2.3.3 Stakeholder management**

Stakeholder management is an approach that is oriented towards the stakeholders or people who affect or are affected by corporate policies and practices (Garriga and Mele, 2004). Although this approach is long established, its academic development started only at the end of the 1970s. Emshoff and Freeman (1978) presented two basic principles in stakeholder management. The first is that the central goal is to achieve maximum overall cooperation between the entire system of the stakeholder groups and the objective of the corporation. The second states that the most efficient strategies for stakeholder management involve efforts that deal with issues affecting multiple stakeholders. From a CSR perspective, the stakeholder theory is related to the belief that “corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract” (Jones, 1980:59). Hence, stakeholder theory takes into account individuals or groups with a “stake” in the firm, including shareholders, employees, customers, suppliers, and local community. These groups are interdependent amongst each other, and with the firm itself (Donaldson and Preston, 1995), as each plays a crucial role in firm survival and success. Therefore, “there is a natural fit between the idea of CSR and an organisation’s stakeholders” (Carroll, 1991:43).

Recently, firms have been pressured by non-governmental organisations (NGOs), activists, communities, government, media and other institutional forces that demand responsible corporate practices. As a result, corporations are now seeking corporate responses to social demands through the establishment of dialogue with a wide spectrum of stakeholders (Garriga and Mele, 2004). This dialogue “not only enhances a company’s sensitivity to its environment but also increases the environments understanding of the dilemmas facing the organization” (Kaptein and Van Tudler, 2003:208).

Due to the importance of stakeholder dialogue and efficient engagement, a separate section will be dedicated to discussing CSR communication.

#### **2.2.3.4 Corporate social performance**

Corporate social performance (CSP) theory aims to measure the contribution the social variable makes to economic performance (Ismail, 2009). Carroll (1979) is considered to be the first to introduce this theory through his “Pyramid of Corporate Social Responsibility”, which fully addresses the entire range of obligations businesses have to society, namely, the economic, legal, ethical, and philanthropic obligations. Waddock and Cochran (1985) extended Carroll’s approach suggesting that corporate social involvement rests on the principles of social responsibility, the process of social responsiveness, and the policy of issues management. A new development came with Wood (1991), who provided the basic model of CSP that is currently applied. This CSP model includes: (a) principles of CSR that are expressed on institutional, organisational, and individual levels; (b) processes of CSR such as environmental assessment, stakeholder management and issues management; (c) outcomes of corporate behaviour such as social impacts, social programmes, and social policies.

#### **2.2.4 Ethical theories**

These theories focus on the ethical requirements that strengthen the relationship between business and society, and are based on principles that express the right thing to do, or the necessity to achieve a good society (Garriga and Mele, 2004). Four approaches were identified by Garriga and Mele as falling under ethical theories: normative stakeholder theory, universal rights, sustainable development, and the common good approach.

##### **2.2.4.1 Normative stakeholder theory**

Although stakeholder management was included with integrative theories, it is becoming more and more an ethics-based theory. Donaldson and Preston (1995) held that the stakeholder theory has a normative core based on two major ideas: (a) stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity; and (b) the interests of all stakeholders are of intrinsic value, where each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as the shareholders. Following this theory, a socially responsible firm needs to make immediate consideration

to the legitimate interests of all appropriate stakeholders and has to balance such a multiplicity of interests and not only the interests of the firm's stockholders (Garriga and Mele, 2004). According to Freeman (1994), a generic formulation of stakeholder theory is not sufficient, and in order to point out how corporations have to be governed and how managers ought to act, a normative core of ethical principles is required. Hence, the stakeholder approach grounded in ethical theories presents a different perspective on CSR, in which ethics is central. The stakeholder theory will be discussed in more detail in section 2.4.

#### **2.2.4.2 Universal rights**

In recent years, human rights have been taken as a basis for CSR (Cassel, 2001). An example of that would be the UN Global Compact, which includes ten principles in the areas of human rights, labour, environment, and anti-corruption. In 2000, the Global Compact's operational phase was launched at the UN headquarters in New York. Since then, many corporations have adopted it. In Kuwait, only 11 organisations are participants in the UN Global Compact, however, none of these are banks. Another approach for CSR can be seen in the Global Sullivan Principles, which have the objective of supporting economic, social and political justice by companies where they do business. Also, the certification SA8000 ([www.cepaa.org](http://www.cepaa.org)) involves accreditation for social responsibility that is similarly based on human and labour rights. Although none of the banks in Kuwait had this accreditation, a few Kuwaiti companies did.

#### **2.2.4.3 Sustainable development**

Sustainable development came into widespread use in 1987, when the World Commission on Environment and Development published a report known as the *Brundtland Report* which stated that "sustainable development" seeks to "meet the needs of the present without compromising the ability for the future generation to meet their own needs" (World Commission on Environment and Development, 1987:8). It is important to mention that during the time of that report, sustainable development was limited to environmental factors, however over time, the concept has been expanded to include consideration of the social dimension as being inseparable from development. Accordingly, the World Business Council has explained that sustainable development "requires the

integration of social, environmental, and economic considerations to make balanced judgments for the long term” (2000:2). Moreover, Gladwin and Kennelly (1995: 876) defined it as “a process of achieving human development in an inclusive, connected, equiparable, prudent, and secure manner”.

#### ***2.2.4.4 The common good approach***

The common good approach is a classical concept rooted in Aristotelian tradition (Smith, 1999), in medieval scholastics (Kempshall, 1999), developed philosophically (Maritain, 1966) and assumed into Catholic social thought (Carey, 2001) as a key reference for business ethics. According to this approach, business has to contribute to the common good, because it is part of society. This can be done in many ways, such as creating wealth, providing goods and services in an efficient and fair way, and at the same time respecting the dignity and the fundamental rights of the individual (Garriga and Mele, 2004). This approach can be seen as similar to sustainable development, but the philosophical base is different. It is worth mentioning that the common good approach is very reflective towards the Islamic approach to CSR which will be discussed in more detail in section 2.6.

After this comprehensive review of CSR theories, and according to Garriga and Mele’s (2004) classification, one can conclude that most CSR theories can be broadly classified into instrumental, political, integrative, and ethical. These theories focus on four main aspects: (1) meeting objectives that produce long-term profits, (2) using business power in a responsible way, (3) integrating social demands, and (4) contributing to a good society by doing what is ethically correct. However, some theories can be found to have interconnected approaches, such as corporate social performance, which focuses on both integrating social demands and institutionalising legitimacy, and hence has both integrative and political dimensions. Corporate citizenship is another theory that can be seen as both integrative and political, as supported by Swanson (1995) and Wood and Lodgson (2002). Hence, we can conclude that these dimensions are interrelated and connections among them may exist, whether explicitly as with corporate social performance theory and corporate citizenship, or implicitly with stakeholder management, which involves some cultural values related to

free market and private property and, therefore, can also fall into the ethical dimension.

### **2.3 CSR in non-Western context**

It has been argued that the term 'Corporate social responsibility' is said to be a Western concept, developed and applicable only to business in the Western world (Maignan and Ralston, 2002). Birch and Moon argue that "there is no single CSR formula or template for CSR worldwide" (2004:19). This suggests that the actual practice can differ from country to country (Blowfield and Frynas, 2005). There is evidence to suggest that Western CSR practices and policies are not totally applicable in other parts of the world due to differences in drivers and motives of CSR as well as cultural and managerial behaviours (Dartey-Baah and Amponash-Tawiah, 2011). It has been also stressed that Western management models exported to other parts of the world are not always successful (Wohlgemuth, Carlsson and Kifle ed, 1998).

Many researchers express concerns with regards to the dominance of Western models and call for more research on CSR in non-Western countries. They argue for the need to consider, carefully, CSR practices and the specific business and cultural contexts in non-Western economies in order to investigate the applicability and usefulness of CSR in these countries (Belal and Momin, 2009; Birch and Moon, 2004; Godfrey and Hatch, 2007). Since the key contribution of this research is a presentation of a non-Western perspective of CSR, several studies, covering Asia, Africa and the Middle East, will be discussed in this section to reveal the effect of local context on the interpretation, existence and practice of CSR, facilitating a better understanding of CSR in non-Western countries in general, and in Kuwait in particular.

Campbell (2007) argues that CSR can mean something different to different people and at a different time and place. A study on CSR in China revealed that Chinese companies are aware of, and active in, CSR but see it as a burden, distracting from their real interest of making a profit (Qingfen, 2006). This suggests that CSR in China is interpreted differently to that in the developed economies in the West. Other studies have shown similar result, demonstrating clear differences between interpretations and the practice of CSR among different countries. According to Teoh and Thong (1984), Malaysian firms are

more socially responsible than what they state due to a desire to keep their annual reports brief and not show others what the company is doing. A comparative study between textile firms in China and Brazil revealed that CSR was not a widely used practice, but that the Brazilian firms had many more practices in place than those in China. These differences suggest a strong influence of the country factor on the engagement in CSR (Cavalcanti Sá de Abreu et al., 2012). The same study also states that Brazil has a more transparent and rule based governance system, which explains the higher amount of involvement in CSR compared to China. The influence of institutional context on CSR was also demonstrated clearly in Russia with Kuznetsov et al. (2009) arguing that the weak institutional environment in the country turns abiding the law into a manifestation of CSR, since the norm is non-compliance and government and institutions lack the power to enforce the law. Other authors have also pointed to the weak institutional context in developing economies as influencing the compliance with international CSR standards (Slack, 2012; Tang and Li, 2009; Amaladoss and Manohar, 2013).

In his paper *Corporate Responsibility in a Developing Country Context*, Visser (2003) identified certain characteristics of CSR in African countries. He stressed that CSR in these countries tends to be less formalised or institutionalized since there are rarely CSR codes, standards, management systems and reports present. He also argues that only large, high profile, national and multinational companies and those with recognized international brands practice CSR. Moreover, CSR in African countries is most commonly associated with philanthropy or charity through corporate social investment in education, health, sports development, the environment, and other community services. Furthermore, the activities of CSR in Africa are different from most developed countries as it typically involves locally specific activities such as: tackling HIV/AIDS, improving working conditions, provision of basic services, and, extreme poverty alleviation. As an example: Ofori (2007) recognised that managers in Ghana believe that operating in a community involves supporting the community through social programmes, beyond corporate philanthropy, to strategic actions that respond to the different needs of the communities in which businesses operate. Therefore, managers in Ghana seem to have a positive attitude toward CSR and these attitudes are largely influenced by both

individual and societal ethical values. However, no comprehensive policy framework to set the parameters of CSR activities in Ghana exists. Furthermore, there is also no institutional body to regulate CSR corporate activities in Ghana and so reporting of CSR activities is not consistently done among corporate bodies (Ofori, 2005).

Since this research investigates CSR in a Middle Eastern country, the relationship between Islam and CSR is necessarily included. A study by Ararat (2006) reveals that the social agenda of Middle Eastern companies frequently manifests itself in the form of philanthropy. Ararat (2006) attributes this phenomenon to the Islamic traditions of “giving”. It can also be argued that given the poor performance of governments in this region, business has no choice but to step in to reduce the social tension, gain legitimacy and create a safer environment to conduct business. As a result, most philanthropic activities focus around supporting education and research, and building hospitals and schools, all of which fall under the responsibility of the state and severely under supplied. Ararat (2006) also discusses the drivers of CSR in the Middle Eastern countries which are found to be common such as: The need to improve the investment climate, better governance, increased international and local competition due to liberalisation, concerns for efficiency and productivity, the need to comply with International Standards, and governments’ new laws and regulations that enforces organizations to be socially responsible. The Lebanese Transparency Association conducted a study on CSR in Lebanon which revealed that CSR as a concept and as a practice is dependent on the level and situation of Corporate Governance. The study argues that CSR will continue to increase in importance as a need and as a recognised potential within private sector decision makers and corporate consultants. It was found that the assassination of former Prime Minister Rafiq Hariri in 2005, which was a huge shock to the Lebanese population, caused an unprecedented effect on the Lebanese market. Many adopted a new language that speaks to the collective thought of Lebanese society and by becoming more sensitive to the community’s demands as they realized that they function within a community and should be more sensitive to its need (Lebanese Transparency Association, 2007). Moreover, the demand for responsible behaviour and disclosure in the Lebanese context has been on the rise in recent years due to the wake of the

war coupled with greater awareness of the adverse environmental impact of industrial development and the rise of various organised pressure groups. These have translated into increasing demands for responsible behaviour and transparent social disclosure in recent years (Jamali et al., 2006).

It becomes clear that CSR in non-Western economies differs fairly from that in Western economies. The standards, objectives, focus, ideals and motives to involve in CSR are different and therefore CSR practices differ. Therefore, one can say that the instrumentalization of the concept differs according to the context, but the nature of CSR remains the same.

## **2.4 CSR drivers**

This section will shed light on the drivers that make organisations engage in CSR activities not directly related to their core business. McIntosh et al. (2003) identified five main drivers:

- The globalisation of markets.
- The establishment of the knowledge economy.
- The ubiquity of global communications technology.
- The coalescence of power, and therefore responsibility, in the hand of a relatively small number of international and global corporations.
- The need for a new social partnership between corporations' states and civil societies seeking solutions to local and global problems.

Adolphson (2004) argues that CSR has either an economic motive towards the generation of profit, or an ethical motive towards the society as an ethical obligation, more than any other consideration. In their book, *Corporate Social Responsibility: Doing the most good for your company and your cause*, Philip Kotler and Nancy Lee argue that participation in corporate social responsibility has similar potential benefits of exercising and engaging in regular physical activity; "we'll look better, feel better, do better, and live longer" (Kotler and Lee, 2005:10). Accordingly, Kotler and Lee suggest six major drivers that motivate companies to behave in such a way: (1) increased sales and market share; (2) strengthened brand positioning; (3) enhanced corporate image and clout; (4) increased ability to attract, motivate, and retain employees; (5) decreased operating costs; (6) increased appeal to investors and financial analysts. Each



of these drivers will be explored through the exposition of various authors' point of views

#### **2.4.1 Increased sales and market share**

Johnson (1971:54) was one of the first authors to stress that CSR can have a positive impact on the profitability of a business. He argued that: "social responsibility states that businesses carry out social programs to add profits to their organizations". Hamish Pringle and Marjorie Thompson demonstrated a very good example of a corporate social responsibility initiative that increased sales and market share in their book *Brand Spirit: How cause related marketing builds brands* (Pringle and Thompson, 2001). They referred to the American Express campaign for the restoration of the Statue of Liberty in the early 1980s. American Express promised that every time cardholders used their cards, the company would make a contribution to a fund to restore the Statue of Liberty, as well as an additional contribution for every new card application. The campaign generated \$1.7 million in funds for the Statue of Liberty, a 27% increase in card usage, and a 10% jump in new card member applications. Exercising CSR with an aim to increase sales and market share is very much in line with the performance-driven CSR principle introduced by Basu and Palazzo (2008), and stresses the impact of CSR on profitability and driving performance. This is also in line with the instrumental theories discussed earlier in section 2.2.

#### **2.4.2 Strengthened brand positioning**

Corporate social responsibility is seen by many authors as a way to better position the brand of any corporation. Kotler and Lee (2005) argue that an initiative with a large amount of social content has a more positive effect on brand than an initiative that is similar in size and scope, but contains less social content. Kotler and Lee exhibited Ben & Jerry's initiatives as an example of how involving social activities can strengthen the brand. Ben & Jerry's show their commitment to promoting world peace by posting 50 ways to promote world peace on their corporate website. They also pay a premium for coffee beans from farmers committed to sustainable farming practices through their programme "coffee for a change". This has created a unique image and positive feeling towards the Ben & Jerry's label.

### **2.4.3 Improved corporate image and clout**

According to the literature, CSR is significantly related to corporate image. Hence, when a company sets a high standard for social responsibility, corporate image is improved (Chang, 2007). Moreover, the involvement in CSR gains more positive press from reports: Fortune, for instance, publishes an annual list of *America's Most Admired Companies* where one of the attributes measured is corporate social responsibility, Business Ethics also publishes a list of *100 Best Corporate Citizens* which recognises companies' CSR (Kotler and Lee, 2005). Such published reports that acknowledge social practices of corporations, improve and strengthen the corporate image and reputation. Furthermore, Kim and Park (2009) argue that when the motive of social responsibility activities is pure and sincere, then the activities can truly influence the corporate image. This is what Ellen et al. (2006) refers to as value-driven motive, or as Basu and Palazzo (2008) denote, motivation driven.

### **2.4.4 Increased ability to attract, motivate, and retain employees**

Many authors have highlighted the effect of a company's participation in social initiatives on employees' motivation and loyalty (Koh and Boo, 2001; Peterson, 2004; Brekke and Nyborg, 2008; Greening and Turban, 2000). Vitell and Davis (2004:493) found that job satisfaction was significantly higher when "top management was perceived as strongly supporting ethical behavior". There is also some empirical evidence that many people prefer their employer to be socially responsible, and that they are willing to accept a lower wage to achieve this. A study conducted by Reinikka and Svensson (2003), found that non-profit healthcare facilities that provide services with a public good element and charge lower prices than private for-profit facilities, hire qualified medical staff significantly below the market wage. Frank (2003) used the data for Cornell graduates and found a large and statistically significant salary differential among Cornell graduates, with the jobs rated as less socially responsible earning substantially higher wages. Companies that exercise CSR because they aim to attract, motivate, and retain employees can be seen as stakeholder driven (Basu and Palazzo, 2008). Section 2.4 will discuss the impact of CSR on various stakeholders in more details.

#### **2.4.5 Decreased operating costs**

According to Kotler and Lee (2005), several business functions can cite decreased operating costs and increased revenue as a result of the depiction of corporate social initiatives. The easiest example they mention relates to companies that adopt environmental initiatives to reduce waste, reuse materials, recycle, and conserve water and electricity. Such initiatives definitely have a direct impact on operating costs. Kotler and Lee (2005) also highlighted another area of cost reduction which is the advertising expenditure that can be reduced as a result of increased free publicity. They presented the Body Shop as a well-known example for its campaign against using animals for cosmetic testing. Anita Roddick, the founder of Body Shop generated a lot of publicity as a result of this campaign that the company did not need to pay for. Companies that engage in CSR to reduce costs are motivation driven according to Basu and Palazzo's classification of CSR principles (2008).

#### **2.4.6 Increased appeal to investors and financial analysts**

Kotler and Lee cited an article published in the Financial Times (July 2003) by Jane Fuller, who argued that companies that are less exposed to social, environmental, and ethical risks are more highly valued by the market and the investors who are pricing in these factors. According to Fuller: "this is not sentimental behaviour, it represents a cool appraisal of various costs". Furthermore, the rise of a considerable number of firms that rate and rank companies on multiple CSR dimensions such as KLD and ASSET4 (Thomson Reuters), also highlights the growing demand for information about CSR strategies by the investment community, where security analysts are progressively awarding more favourable ratings to firms with socially responsible corporate strategies (Ioannou and Serafeim, 2010).

### **2.5 CSR stakeholders**

*"A stakeholder in an organization (by definition) is any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984:46).*

Stakeholders are a key element in companies' external environments, and they act formally or informally, individually or collectively, and can positively or negatively affect companies (O'Riordan and Fairbass, 2008). Therefore, it is

critical for firms to identify to whom they are responsible and how far that responsibility extends. Firms also need to prioritise between the different stakeholder groups, since different companies are vulnerable to different things (Lohman and Steinholtz, 2003).

In his book *Strategic Management: A Stakeholders Approach*, Edward Freeman (1984) presented the stakeholder theory that had a major impact on management literature. According to Borglund et al. (2009), this theory is one of the most important references regarding CSR, in terms of how companies impact their stakeholders. Fassin (2008:113) also states that “stakeholder management has become an important tool to transfer ethics to management practice and strategy”. Due to the importance of the stakeholder theory to CSR and to the understanding of the impact of CSR on stakeholders, comprehensive details of this theory will now be provided.

According to the stakeholder theory, for a firm to survive, it has to satisfy its suppliers, customers, employees, communities, as well as shareholders or owners. Freeman (1984) refers to this category as internal stakeholders or relations that a firm deals with on a daily basis and is seen to be necessary for a firm’s survival. The external stakeholders or relations, according to Freeman (1984), are governments, critics, environmentalists, media, and NGOs whom the firm does not deal with on a daily basis, but may have a major impact on a firm depending on their activities. Both internal and external stakeholders can affect or are affected by a company, as each plays a crucial role in firm survival and success (Gupta and Pirsch, 2008). Hence, “there is a natural fit between the idea of CSR and an organisation’s stakeholders” (Carroll, 1991:43), and improving the relationship between the firm and its stakeholders will benefit the firm economically and will also give it a competitive advantage. This theory also implies that corporations should undertake extensive responsibilities to their stakeholders to achieve the desired corporate performance. Thus, stakeholder theory offers a comprehensive explanation of a company’s motivation to comply with societal expectations (Argandona, 1998; Harvey and Schaefer, 2001; Post, 2003).

The stakeholder theory is much related to CSR in terms of how companies impact their stakeholders, since they are suggested to commence social

responsibilities by considering all stakeholders' interests who might be affected by the activities undertaken by them. Wood and Jones (1995) propose three roles of stakeholders to justify the importance of stakeholder evaluation on CSR: (1) stakeholders are the source of expectations of CSR, (2) stakeholders experience the effect of CSR, and (3) stakeholders will make an evaluation of CSR. In the following two sub-sections, internal and external stakeholders and their impact on CSR will be explained.

### **2.5.1 Internal stakeholders**

#### **2.5.1.1 Shareholders**

Shareholders generally have a common interest in improving the company's financial situation, whereby this group expects a high share dividend in return (Borglund et al., 2009). The economic scientist Milton Friedman stated that a company's only responsibility is to maximise its economic benefits towards its shareholders (Garriga & Melé 2004). At the same time, shareholders provide funds for further CSR activities and also make sure that the company has a decent stock value. In that regard, CSR is defined by the shareholders' willingness to abstain from maximum profits to promote social values (Cullis et al., 1992; Baron, 2005), where the company should display concern for its shareholders or investors through the statement of equal treatment policies, value creation and provision of relevant and updated information.

#### **2.5.1.2 Suppliers**

Suppliers are the key link in a company's distribution chain and are part of their core business. Suppliers provide companies with their desired products and materials and receive orders so it can meet customer demands. According to Crane and Matten (2007), suppliers need to follow the standards that are desired for the company, in order to pass and achieve certain certificates to conduct business. Moreover, socially responsible firms need to establish procurement policies that ensure fair and impartial transactions throughout the supply chain.

#### **2.5.1.3 Customers**

Customers are considered to be a highly valuable source for a firm, since without customers business cannot be done. Moreover, the way a firm conducts

its business can largely and directly impact on the end customer, who is the target of a company's products or services (Brunk, 2010). From a CSR perspective, customer purchase intentions are positively correlated with the degree to which the perception of a company's ethical behaviour exceeds their expectations (Creyer and Ross, 1997). Corporate social responsibility in that way is explained by customers' willingness to pay for ethically produced goods (Arora and Gangopadhyay, 1995; Bjorner et al., 2004). If customers are unsatisfied with a company's product or a certain behaviour, they may stop buying their products and even pressure the company through an organised consumer boycott that will not only cause severe damage to sales revenue, but also, in the long run, will harm the company's reputation and brand image (Graftstrom et al., 2008; Brunk, 2010). In contrast, customers feel a sense of gratitude and fulfilment when they buy products from a socially responsible company, which will also lead to increased loyalty to the company and its brand (Graftstrom et al., 2008). According to Trudel and Cotte (2009), customers may even pay a premium for ethical product attributes, but only up to a point, and will penalise unethical conduct to a proportionally greater extent. Like other stakeholder groups, it is evident that customers provide greater support to companies that are socially responsible (Brown and Dacin, 1997; Ellen et al., 2003; Sen and Bhattacharya, 2001). Moreover, CSR is also linked to customers' perceptions of a positive company image (Simon, 1995; Vance, 1975), leading to enhanced product evaluation (Brown and Dacin, 1997), greater commitment to the organisation (Arnold et al., 1996), a higher level of satisfaction and loyalty (Creyer and Ross, 1997; Sen and Bhattacharya, 2001), and overall customer support (Hendelman and Arnold, 1999). A very well-known example of how CSR enhances customer support and commitment is Ben & Jerry's ice cream, a company that uses business as a tool for social and environmental change (Kottler and Lee, 2005). Without significant investment in marketing, Ben & Jerry's has benefitted from positive word-of-mouth and has become well known for its CSR values.

#### **2.5.1.4 Employees**

Employees are also one of the most important resources for a company and are a major part of a company's core business, since they carry out its strategies. Hence, their interests must be taken into account (Clarkson, 1995). Firms need

to ensure they keep their employees satisfied by providing fair salaries and necessary health care (Grafstrom et al., 2008), since unsatisfied employees can affect a company's performance. Furthermore, Brekke and Nyborg (2008) argue that responsible employers attract responsible and highly motivated workers and this can secure a socially responsible firm's survival, even in a highly competitive environment, they also argue that many employees are willing to accept a lower wage given that they work in a socially responsible firm. Davis (2004:493) found that job satisfaction was noticeably higher when "top management was perceived as strongly supporting ethical behavior". These views will be tested across the employees of the Kuwaiti banks to see if this case is applicable in Kuwait.

#### **2.5.1.5 Communities**

Communities are the surrounding societies within which a firm does CSR activities, and community involvement is at the core of many CSR programmes (Brunk, 2010). According to Maignan and Ralston (2002), firms should express their dedication to improving the quality of life and well-being of the community in which they operate, or of the society as a whole because the community expects something in return from the firm, in order to accept and give them legitimacy. According to Andreassen and Drumwright (2001), CSR is most relevant when organisations are viewed as entities that share a social contract with the society in which they operate, and thus find themselves obligated to make decisions that enhance both their own as well as society's best interests. Furthermore, firms should also show concern for the preservation of the natural environment in the community (Maignan and Ralston, 2002). Other areas where firms can give back to their communities include employing locals (Carroll, 1999; Garriga and Mele, 2004; Porter and Kramer, 2002), showing concern for human rights issues, and supporting national cultures (Maignan and Ralston, 2002).

#### **2.5.2 External stakeholders**

##### **2.5.2.1 Governments**

Government represents the laws and regulations that each country provides. Firms need to abide by the government's regulations and encourage its stakeholders to do the same.

### **2.5.2.2 Critics**

A critic can be defined as anyone who delivers criticism against a firm and its activities. A critic generally expresses their thoughts and beliefs by using media as their distribution channel (Fassin, 2008; Grafstrom et al, 2008). Varadajaran and Menon (1988) argue that CSR has the ability to counter negative publicity by linking positive actions to the firm. An example of how critics can impact upon CSR activities of a firm can be seen in relation to the oil giant BP – a highly ranked firm in Fortune's CSR list – where it faced heavy criticism that it had only copied the language of the environmentalists but without creating a real commitment to deliver. Critics note that after re-branding itself as an environmentally sound corporation, BP has been hit with a number of fines for major pollution incidents (Saigeetha & Vasanthi, 2008).

### **2.5.2.3 Environmentalists**

Due to the global hype around climate change, the natural environment has become a prominent stakeholder for many organisations (Norton, 2007). According to Melewar (2008), the role of the environmentalists for companies using CSR has grown at the same pace as CSR as a global concept. This is expected, since environmental issues are one of the most important pillars of CSR. Hence, companies need to fight for respect and acceptance from environmentalists. Environmentalists often pressure companies to consider their responsibilities for all of their CSR practices (Garriga and Mele, 2004). Consequently, as with other stakeholders, a fair relationship with the environment should be maintained, this can be done in various ways, such as investing in sustainable development, which ensures no concessions have to be made in any way by future generations to meet their needs (Wheeler et al., 2003).

### **2.5.2.4 Media**

According to Chandler and Werther (2006), media conveys messages from other stakeholders, and influences and creates polls about a company in positive as well as negative ways. Media can be used by companies to market themselves and deliver messages to society and stakeholders. Additionally, media stories that include social responsibility messages generate further favourable attitudes towards the company (Nan and Heo, 2007). Borglund et al.



(2009) argue that media can also create interest and knowledge about CSR for society. This is the so-called cause-related marketing which is generally believed to be an uncomplicated, honest, and trustworthy way to raise funds for social causes (Ross et al., 1992).

#### **2.5.2.5 NGOs**

An NGO (non-governmental organisation) is:

*“... any non-profit, voluntary citizens’ group which is organised on a local, national or international level. [...] that aims to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals, including equity, education, health, environmental protection and human rights.”* (Teegen et al, 2004: 466).

NGOs have grown in number, power, and influence since the 1980s (Keck and Sikkink, 1998; The Economist, 2000). Their force has been felt in major public policy debates, and NGO activism has been responsible for major changes in corporate behaviour and governance (The Economist, 2003). NGOs often name companies that have made breaches for the whole world to see. This is the so-called “naming and shaming” strategy. By using this strategy, companies become more careful and selective with their CSR as well as other activities (Pedersen, 2006; Teegen et al, 2004; Vogel, 2005). The rise of NGOs that seek to promote what they perceive to be more ethical and socially responsible business practices has helped in generating considerable changes in corporate management, strategy, and governance (Doh and Teegen, 2003). NGOs can also be seen as company cooperators, helping them to perform their CSR activities by creating funds, providing training, educating employees, and building their CSR programmes (Borglund et al, 2009).

In Kuwait, the NGO sector consists of a few hundred organisations with a varied range of interests, ranging from traditional, Islamic charitable societies working for public benefit – some of which operate internationally – to smaller mutual benefit groups involved in supporting sports and business activities locally (Charity Commission, 2012). Many CSR initiatives have originated from NGOs in Kuwait and have been sponsored by banks and companies in the private sector in Kuwait. However, pressure on organisations (from NGOs) to have CSR was not seen in the literature.

It is worth mentioning that companies cannot satisfy all stakeholders. That is why it is important to identify which stakeholders can be seen as more important than others, which is what Garriga and Mele (2004) define as making stakeholder trade-offs. Yet, the stakeholder theory confirmed and recognised that CSR is necessary for firms to succeed.

## **2.6 CSR and Islam**

In spite of globalisation, the extensive literature on CSR has remained Western centred. Little research was found on CSR in the Middle East, and even less about the relationship between Islam and CSR. In this chapter, the researcher will try to shed light on the available literature in this regard and will discuss CSR in light of the holy Quran, which is the book of divine revelation, and Hadith, which is the sayings and deeds of the holy prophet Mohammed.

It is worth mentioning that religion does not play a major role in CSR in the West and is not presented as a motivation for corporate action except in religious organisations. This may be due to cultural conditioning related to a vehement defence of the separation of church and state, or may reflect the fact that not all stakeholders adhere to one particular faith (Thibos and Gillespie, 2011).

In an attempt to better understand the relationship between CSR and Islam, the researcher will highlight, in the following sub-sections, some of the pillars, values, and principles of Islam that she believes are similar to the prevailing notion of CSR.

### **2.6.1 Zakat**

Zakat is a tax mandated by Islam for charitable purposes, and is one of the five pillars of Islam and stands equal in priority to professing the faith (shahadah), prayer (salah), pilgrimage (hajj), and fasting (saum). Charitable giving is obligatory for all Muslims and refusing it amounts to disbelief or apostasy (Zysow, 2010). At its core, Zakat functions to bind together and strengthen the community – be it local, national, or global – through co-dependency, and is designed to redistribute a small amount of wealth (2.5% of annual income) from the relatively well off to needy groups in society (Thibos and Gillespie, 2011). Hence, it is a demonstration of how Islam establishes socio-economic fairness.

Moreover, the Quran specifies that Zakat proceeds may go to several different groups:

*“Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of God; and for the wayfarer: (thus is it) ordained by God, and God is full of knowledge and wisdom” (Qur’an, 9:60).*

The category designated “those in the cause of God” was historically understood to comprise fighters of jihad. However, interpretations that are more recent have included institutions and projects often targeted by CSR initiatives, including the financing of mosques, religious foundations, schools, charitable trusts, hospitals, social projects or emergency relief programmes worldwide (Kochuyt, 2009). Furthermore, Zakat is seen as a distribution of wealth and thus, is an economic necessity that a Muslim must fulfil responsibly (Naqvi, 1981) and a good demonstration of how Islam integrates economy and business with ethics.

### **2.6.2 Orphans**

There is an intimate connection between Islam and orphans because the Prophet Mohammed was raised by his grandfather and uncle after being orphaned at the age of six (Harwazinski, 2010). Moreover, orphans and society’s responsibility to care for them constitutes an important theme for the Quran, where this is mentioned 23 times (Thibos and Gillespie, 2011). One of the verses that encourages taking care of orphans is:

*“Seest thou one who denies the judgement (to come)? Then such is the one who repulses the orphan, and encourages not the feeding of the indigent, so woe to the worshippers – who are neglectful of their prayers, those who (want but) to be seen, but refuse (to supply) neighbourly needs” (Quran, 107:1-7).*

These verses clearly despise Muslims who deny their social responsibility by treating the helpless with contempt, and also clearly demonstrate Muslim obligations to look after these vulnerable children and to protect their property rights (Giladi, 2010).

### 2.6.3 Justice

Islam sets the highest emphasis on moral values in a way that can be seen as a moral code of conduct for Muslims. The teachings of holy Prophet Mohammed on moral codes and ethical norms are numerous, he said: *“I have been sent only for the purpose of perfecting good morals”* (Bukhari, 1.56). Moral principles are also repeatedly stressed in the Quran: *“you are the best nation that has been raised up for mankind, you enjoin right conduct, forbid evil and believe in Allah”* (Quran, 3:110). Islam therefore lives not for itself, but for humanity and lays out a clear guideline for Muslims to be righteous and socially responsible through their action in life (Mohammed, 2007).

Furthermore, Islam has plainly defined the responsibilities for the individual, the corporation, and the nation-state. This can clearly be seen in the final sermon of the holy Prophet Mohammed, which deals mostly with social responsibility and justice. He said in his sermon:

*“Verily, you will meet your lord and he will ask you about your actions. You will neither commit injustice nor will you be wronged. No Muslim is allowed from his brother’s property except what he gives away with good heart; so do not wrong each other. The most honourable of you with Allah is that believer who has morality”* (Bukhari Hadith).

Here, the holy Prophet Mohammed was also warning not to act immorally just because of the external pressures of circumstances, or on the fact that everybody in society is behaving immorally (Haykal, 1976).

Moreover, the primary objective of Sharia, which dictates the moral code of conduct in Islam, is to establish justice as without justice there can be no peace or freedom (Mohammed, 2007). This is demonstrated in the following verse of the Quran:

*“O ye who believe, stand out firmly for justice, as witnesses to Allah, even as against yourselves, or your parents, or your kin, and whether it be against rich or poor, for Allah can best protect both”* (Quran, 4:135).

Hence, and according to the previous verse, justice is God's attribute and to stand firm for justice is to be witness to God, even if it is unfavourable to one's own interests (Mohammed, 2007).

Furthermore, discrimination has also been stressed in Islam as being strictly forbidden, as part of Islam's promotion of justice and equal treatment. The following verse clarifies this: "*O mankind! Lo! We have created you male and female, and have made you nations and tribes, that you may know one another*" (Quran, 49:13).

From the above discussion, it is evident that justice is one of the foundations of Islamic society.

#### **2.6.4 Ethics**

From an Islamic point of view, ethics describe a person's character or nature with the attributes of goodness or good behaviour such as righteousness, equity, justice, truth, and piety (Asad, 1980). There are many verses in the Quran that call Muslims to learn the difference between right and wrong and to do good works through life, such as the following:

*"O you who have attained to faith! Do not devour one another's possessions wrongfully in vanities – but let there be amongst you traffic and trade based on mutual agreement – and do not destroy one another; for behold, God is indeed a dispenser of grace unto thee! And as for him who does this with malicious intent and a will to do wrong – him shall we, in time, cause to endure fire: for this is indeed easy for God"* (Quran, 4:29-30).

The previous verse tells profound meaning pertaining to social responsibility. It declares that all the property one possesses is in trust, whether it is in one's own name or belongs to the community. The verse also warns against greed and encourages Muslims to increase property or wealth by economic use through traffic and trade.

Moreover, the Islamic ethical system considers adherence to ethical behaviour as faith itself and as such, social responsibility is considered as an offshoot of a Muslim belief system (Mohammed, 2007). This moral code of conduct also applies to commercial aspects, which will be covered in the following sub-

section by giving an overview of the implications of Islamic ethics on business practices.

#### **2.6.4.1 Islamic ethics and business practices**

According to Mohammed (2007), Islam set specific guidelines to govern business transactions by identifying ethically desirable forms of business, specifying undesirable modes of transactions and enumerating the general moral and ethical rules of business conduct. There are many rules of ethical disciplines that govern Islamic commercial transactions and are all pursuant to the concept of lawful (Halal) and unlawful (Haram), and reflect features of social responsibility (Mohammed, 2007):

- **Keenness to earn legitimate (Halal) earnings:** Islam puts great emphasis on lawful business transactions, the holy Prophet Mohammed stressed that when asked what form of gain is the best: *“a man’s work with his hands, and every legitimate business transaction”* (Bukhari Hadith, 2783).
- **Trade through mutual consent:** In Islam, a sale is legal only if it is made through the mutual consent of the parties concerned, and taking advantage of someone’s plight and charging high prices is forbidden: *“O you who believe! Eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual goodwill: nor kill yourselves for verily Allah has been to you most merciful”* (Quran, 4:29).
- **Truthfulness in business transactions:** Muslim business people should develop and practice truthfulness and honesty as the holy Prophet Mohammed says:

*“The seller and the buyer have the right to keep or return the goods as long as they have not parted or till they part; and if both the parties spoke the truth and described the defects and qualities, then they would be blessed in their transaction, and if they told lies or hid something, then the blessings of their transaction would be lost”* (Hadith, 1937).

Moreover, Islam raises the status of a truthful merchant so that he will be on par with the holy warriors: *“the truthful merchant on the day of resurrection with prophets, veracious souls, martyrs and pious people”* (Bukhari Hadith, 1130).

- **Generosity and leniency in business transactions:** Muslims should be lenient and generous while doing business: *“May Allah’s mercy be on him who is lenient in his buying, selling, and in demanding back his money”* (Bukhari Hadith, 1934).
- **Fair treatment of workers:** Islam sets rules that govern the relationship between the employer and employees where it promotes the spirit of love and brotherhood between them. According to Islam, it is the moral responsibility of the employer to take care of the overall welfare of his employees through fair wages, good working conditions, and suitable work:  
*“Allah has placed them under you, those are your brothers. So, if anyone of you has someone under him, he should feed him out of what he himself eats, clothe him like what he himself puts on, and if that be the case, let him not put so much burden that he is not able to bear, then lend your help to him”* (Hadith, 2359).

The holy Prophet is also reported to have said: *“... the wages of the labourers must be paid to him before the sweat dries upon his body”* (Bukhari Hadith, 2434). This indeed is what internal CSR is all about.

- **Sale of uncertainty:** Islam prohibits sale of a commodity that is not present at hand, or the consequences of which are not yet known because the quality of that commodity is not yet recognised at the time of the deal, such as the sale of what is still in the womb of the female, and the sale of fruits before the grain hardens (Mohammed, 2007). In current financial transactions, this is seen in insurance practices because premiums are paid on a monthly basis by the insured who may not ever collect any money from the insurance company (El Gamal, 2000).
- **Arbitrarily fixing prices:** Islam does not encourage the practice of price-fixing by force by the public authorities, because it may endanger both public and private interests (Mohammed, 2007).
- **Exploitation of one’s ignorance of market conditions:** The practice of obtaining commodities at a price that is lower than market price and selling them at a high price was predominant during pre-Islamic society; local traders used to persuade newcomers who arrive in a town and are ignorant of prices in that community to sell their goods to them at prices lower than the market price (Mohammed, 2007). The Prophet Mohammed prohibited

such practice by saying: “a town dweller should not sell the goods of a desert dweller” (Bukhari Hadith, 2006).

- **Fraud in business transactions:** fraudulent transactions in business are prohibited in Islam, the holy Prophet Mohammed is reported to have said:

*“Do not harbour envy against one another; do not outbid one another; do not bear aversion against one another; do not bear enmity against one another; one of you should not enter into a transaction when the other has already entered into it; and be fellow brothers and true servants of Allah” (Bukhari Hadith, 4650).*

It is clear from the previous Hadith that the practice of sale over sale is forbidden, which is practically offering a higher price for a good after a deal has been concluded, in an attempt to spoil the agreement between the parties. As a result of this offer, the buyer may be tempted to cancel the agreement to sell it at a higher price which may give rise to disputes between brothers (Mohammed, 2007). Moreover, the practice of manipulating weights and measures was also mentioned in the Quran as a forbidden act and Muslims are asked to make balanced transactions and just measures: “and give full measure when you measure, and weigh with a just balance. That is good and better in the end” (Quran, 17:35).

### **2.6.5 Corporate social responsibility from an Islamic perspective**

From the preceding discussion of some of the Islamic values and principles that promote the social responsibility of Muslims towards each other, and towards the community at large, one can conclude that there is a great analogy between the concept of CSR and Islamic values and principles that each Muslim has to follow. Islamic values go very well beyond the social behaviour currently seen in today’s era and provides a basis for social well-being, good actions, welfare for those members of society who are less able and other aspects of high social codes. In terms of business, Islam has always measured corporations against two goals: financial and social goals. Hence, there is a harmonious zone of sustainability similar to the common notion of CSR (Mohammed, 2007).

The researcher also found out that there is a great match between the Islamic approach to CSR and the ethical approach to CSR and, more specifically, the common good approach, as both focus on principles of doing the right thing and contributing to the common good to achieve a good society. Moreover, there is



also a match between the Islamic approach to CSR and the stakeholder theory. According to Iqbal and Mirakhor (2004) and Iqbal and Molyneux (2005), a stakeholder in Islam is defined as the one whose property rights are at stake or at risk due to voluntary or involuntary actions of the firm. This implies that the firm is expected to preserve property rights of not only the shareholders but also those who have participated in the process of acquiring or earning the firm's property, and those who could be threatened as a result of the firm's operation. They also posit that any group or individuals with whom a firm has any explicit and implicit contractual obligations qualifies as a stakeholder, even though the firm may not have formal contracts with them through mutual bargaining. Furthermore, the examples of Hadith and Quran that were shared in this section, illustrate and confirm that social responsibility has been an integral part of Islamic society for nearly 14 centuries, where many social issues have been addressed concerning the general well-being of both business and society. However, whether organisations in Islamic countries are realising this and are incorporating Islamic teachings on how to act towards the community in their CSR programmes is still not known. That is why the researcher decided to investigate – since it is being undertaken in an Islamic country – if Islam has any influence on the way CSR is presented and implemented in the Kuwaiti banks, especially considering that four of the researched banks are Islamic.

## **2.7 The banking industry in Kuwait**

The Kuwaiti banking sector stands as one of the most robust in the Gulf region. It benefits from the country's economic growth, as well as the effective supervisory framework exerted by the Central Bank of Kuwait, the limited competition from foreign banks due to the nature of protectionism by the Central Bank of Kuwait (CBK), and the narrowness of the market (Singh, 2010). The banking sector in Kuwait, in addition to the Central Bank, is mainly composed of the following: five conventional banks (National Bank of Kuwait, Gulf Bank, Commercial Bank, Burgan Bank, and Ahli Bank of Kuwait); one specialised bank (Industrial Bank); seven foreign banks (BNP Paribas, City Bank, HSBC, Bank Muscat, Bank of Bahrain and Kuwait, Qatar National Bank, and National Bank of Abu Dhabi); and four Islamic banks (Kuwait Finance House, Boubayan Bank, Ahli United Bank, and Kuwait International Bank).

The global financial crisis has weakened the Kuwaiti banks significantly. The banks have suffered from liquidity pressure and losses on account of higher provisions (Singh, 2010). Despite the positive signs of recovery, the banks have continued to clean up their loan books, but their performance is still affected by an undiversified operating environment which is heavily dependent on the oil sector, and has limited opportunities (Singh, 2010). The government of Kuwait intervenes excessively in the economy in general, and in the banking sector in particular, through administrative control, subsidised loans, equity injections and bail-outs (Limam, 2004).

The structure of the banking sector is fairly concentrated. The National Bank of Kuwait (NBK) is more than twice the size of the next largest which is the Gulf Bank. Both banks own around fifty percent of the assets of conventional banks and dispense around the same proportion of total banking credit (Limam, 2004). In terms of ownership and except for NBK, which is almost entirely owned by the private sector, the government is a shareholder in the rest of the banks. The Kuwaiti banking industry is characterised by high competition. Banks like the National Bank of Kuwait (NBK), Kuwait Finance House (KFH), Ahli United Bank (AUB) and Ahli Bank of Kuwait (ABK) have emerged stronger from the economic crisis, though they all reported lower profits and an increase in absolute non-performing loans (NPLs), the exception being NBK (Singh, 2010).

Both conventional and Islamic banks in Kuwait exercise CSR and acknowledge the important role they must play in CSR, which leads to enormous investment to fulfil their responsibility towards society (Al-Rumaihi, 2011). Although the depiction of CSR in Kuwait is relatively new (2007 onwards), banks in Kuwait have managed to succeed in complying with society's expectations and have attracted positive responses from all stakeholders. It is worth mentioning that although foreign banks exercise CSR in their home countries, as well as in other parts of the world where they operate, no signs of CSR activities have been witnessed in Kuwait. This is expected as the Central Bank of Kuwait limits the activities of these banks enormously, where foreign banks in Kuwait are not allowed to open more than one branch and also mostly provide corporate facilities and few retail services. Due to the fact that they are not allowed to offer services that Kuwaiti banks are able to provide, such as salary transfer, credit card services, ATMs, etc., all of these burdens make presenting CSR irrelevant

to these banks. It is also worth mentioning that Kuwaiti banks are members in the Union of Arab Banks (UAB), which developed, in 2011, *CSR Guidelines for the Financial Sector*. These were designed in a way that considers local needs and capacities, as well as the latest international trends and expectations, focusing on the practical application of CSR principles for banks and financial institutions, and, therefore, providing straightforward guidance on implementation. The CSR guidelines comply with international standards, including Basel II principles and the Equator Principles, whilst taking into consideration the particular characteristics of the region ([www.uabonline.org](http://www.uabonline.org)). The Kuwaiti banks engaged with UAB to gauge their CSR interests and needs and the guidelines now provide guidance and assistance to the banks in enhancing, improving and implementing effective CSR best practices. This suggests that CSR practices in the Middle East in general, and in Kuwait in particular are aligned with international best practices and standards. However, this will be assessed in the findings chapter as the researcher – based on the research objectives – will be looking at the current practices and approaches of CSR in the banking sector in Kuwait. In the following sub-sections, a summary of each Kuwaiti bank will be presented.

## **2.7.1 Conventional banks**

### **2.7.1.1 National Bank of Kuwait (NBK)**

Before 1952, there was only one bank operating in Kuwait which was the British Bank of the Middle East that had been inaugurated in 1942 during World War II (Abu-Hakima, 1983). However, Kuwaiti citizens were not happy with the level of service they were receiving from the bank and Kuwaiti merchants felt that they were being treated as second class customers, especially after an incident faced by a prominent Kuwaiti merchant who was surprised and shocked to have his request for a loan of 10,000 rupees turned down. This rejection drove him to go see the Amir, along with a group of other prominent merchants. They described the discriminatory treatment they received at the hands of the bank and asked his permission to set up a new bank, a national bank with their own capital. The Amir readily pledged his support, and on 19 May 1952, the Amir of Kuwait, Sheikh Abdullah Al Salem Al Sabah, issued an Amiri Decree setting up the National Bank of Kuwait. It was to be the first local bank and the first shareholding company, not only in Kuwait, but in the entire Gulf region. All the

directors on the board, the shareholders and the founders were leading Kuwaiti merchants. The bank had a start-up capital of 13,100,000 rupees, equivalent to one million Kuwaiti dinars divided into 13,100 shares of 1,000 rupees each ([www.nbk.com](http://www.nbk.com)). Over time, NBK continued to be recognised for its excellent management and record for sound banking practices. The bank prides itself on its rigorous risk management and its fiscal conservatism that made it the only bank in the Middle East to be chosen by Global Finance as being among the world's safest 50 banks for five consecutive years (Limam, 2004). NBK was the first bank and the first organisation in Kuwait to introduce CSR in 2007, and has been acknowledged locally and internationally for its CSR strategy ([www.nbk.com](http://www.nbk.com)).

#### **2.7.1.2 Gulf Bank (GB)**

Gulf Bank was established in 1960 and has been always rated as the second largest bank in Kuwait. It has 51 branches distributed around Kuwait and has approximately 1,500 employees of various nationalities, with more than 60% nationals in the head office and over 90% in the branches ([www.e-gulfbank.com](http://www.e-gulfbank.com)). On October 27, 2008, Gulf Bank suffered a bank run, as losses mounted from clients defaulting on bad debt related to currency derivatives. The Central Bank of Kuwait guaranteed deposits at Gulf Bank, but losses on the debt exceeded 375 million dinars. As a result, the rating agency Moody's downgraded a number of ratings for Kuwait's Gulf Bank citing "significant challenges" still facing the country's second largest bank. (Sharif and MacDonald, 2008).

#### **2.7.1.3 Commercial Bank of Kuwait (CBK)**

Commercial Bank of Kuwait is considered to be the second oldest bank in Kuwait as it was established and commenced operations in 1961. The bank provides a range of corporate and retail banking, and treasury and investment banking products/services to individuals and corporations ([www.cbk.com](http://www.cbk.com)).

#### **2.7.1.4 Burgan Bank**

Burgan Bank was established in 1977 and offers both retail and commercial banking services. It is active both in the Gulf region and internationally through its subsidiaries in Bahrain, Jordan, Algeria, Iraq, Tunisia, Turkey, and Malta.

The turning point for Burgan Bank came in the year 1997, when it was privatised and government ownership in the bank reduced from 61% to less than 10% accordingly ([www.burgan.com](http://www.burgan.com)). In an article entitled *KFH and Burgan - best local banks in social responsibility reports* written in the Kuwaiti newspaper “Al Qabas”, Burgan Bank was recognised to be the first bank in the Middle East to introduce a CSR report in 2007 (Al Qabas, 2012).

#### **2.7.1.5 Ahli Bank of Kuwait (ABK)**

The Ahli Bank of Kuwait was established in 1967 and has a retail network of 28 branches and two overseas branches in Dubai and Abu-Dhabi, UAE. ABK also provides corporate services such as loans, letters of credit and guarantees, and payment services, with particular emphasis on financing construction, real estate and trade ([www.eahli.com](http://www.eahli.com)).

#### **2.7.2 Islamic banks**

In recent years and with the increased strength of the Islamic tide, Kuwait has developed a preference for Islamic financial services over conventional ones. Sharia-compliant financial services have shown healthy growth during recent years, becoming potential competitors for both conventional banks and investment houses (Singh, 2010). Hence, conventional banks have been trying to acquire stakes in Islamic banks, which was evident by NBK increasing its stake in Boubyan Bank up to 24%.

##### **2.7.2.1 Kuwait Finance House (KFH)**

KFH was the first Islamic Bank in Kuwait. It was established in 1977 and is considered to be the third largest bank in Kuwait, holding assets of \$48 billion as of 30 September, 2011 ([www.kfh.com](http://www.kfh.com)). KFH successfully expanded in the region and now has presence in Kuwait, Saudi Arabia, UAE, Bahrain, Malaysia, the Cayman Islands and Turkey. KFH has 212 branches globally and 15 consolidated subsidiaries. Islamic banking was introduced through KFH to Kuwait where the main differentiating factors of the Islamic banking system are the sharing of risk and the prohibition of “Riba” (usury/interest) (Limam, 2004). According to Islamic law, Islam prohibits interest-based dealings that tend to exploit those in financial need. Instead, transactions based on sharing of risk are promoted as a way of encouraging cooperation for mutual benefit and

establishing more-equitable terms and fair dealing (Limam, 2004). KFH was the pioneer in presenting the following Islamic banking services to the world:

- Murabaha: trade with mark-up or cost plus sale
- Mudaraba: profit sharing agreement
- Musharaka: equity participation
- Leasing (Ijara Wa Iqtina): renting for beneficial use
- Salam and Parallel Salam: deferred sale contracts
- Istisna'a and Parallel Istisna'a: project finance
- Sukuks: Islamic bonds ([www.kfh.com](http://www.kfh.com))

As for CSR, KFH was the first bank in Kuwait and the first Islamic bank in the world to issue the KFH Group Corporate Sustainability Report, according to the Global Reporting Initiative (GRI) standards (KFH Annual Report, 2011).

#### **2.7.2.2 Boubyan Bank**

Boubyan Bank was established in 2004 by Amiri Decree No. 88 with a paid-up capital of 100 million Kuwaiti dinars. The shares then were distributed among Kuwaiti citizens. Accordingly, more than 90% of Kuwaiti citizens are the bank's shareholders owning 76% of Boubyan Bank shares. The remaining shares were owned by the Kuwait Investment Authority (KIA). However, in 2010 NBK raised its stake in Boubyan Bank to 24% after acquiring 13.2% of the KIA's holding in the Islamic bank ([www.bankboubyan.com](http://www.bankboubyan.com)).

#### **2.7.2.3 Ahli United Bank (AUB)**

Ahli United Bank (AUB) is a fully fledged commercial- and investment-banking group that provides wealth management, retail, corporate, treasury, offshore and private banking services. The group's businesses consist of operations in Bahrain, Kuwait, Qatar, Oman, Egypt and Iraq. Overall, the AUB group, through its subsidiaries and associates, operates through a network of 93 branch offices and employs over 3,000 people. In Kuwait, the bank was converted to an Islamic bank under the present corporate identity of Ahli United Bank of Kuwait in April 2010 ([www.ahliunited.com.kw](http://www.ahliunited.com.kw))

#### **2.7.2.4 Kuwait International Bank (KIB)**

Kuwait International Bank (KIB) has operated according to Islamic Sharia since July 2007. The bank was incorporated in 1973 and was originally known as the Kuwait Real Estate Bank. KIB's business covers all banking services, including acceptance of deposits, financing transactions, direct investment, Murabaha (auto, real estate, and commodities according to Sharia principles), Ijarah (leasing), credit cards, istisna'a (project financing), treasury services, issuing letters of credits, letter of guarantee, real estate dealing and management of properties. Currently, KIB has a network of 18 branches spread across the state of Kuwait ([www.kib.com.kw](http://www.kib.com.kw)).

### **2.8 CSR and the financial crisis**

The global financial crisis has led to economic recessions in many countries around the world. Accordingly, companies started cutting their budgets, including the budgets for CSR which has produced a challenging environment in which to operate. The purpose of this section is to try to explore the effects of the financial crisis in regard to CSR spending. This is very relevant and significant to the research because CSR in the Kuwaiti banks was introduced in 2007, which was only one year prior to the crisis and during the development phase of CSR. Hence, the researcher wanted to investigate whether the global financial crisis affected the progress of CSR in these banks. Moreover, what makes this research even more significant is that little was found about the relationship between CSR survival and recession in any country and whether corporations tend to sweep CSR aside during that time or treat it as a necessity. Therefore, in this section the researcher will try to make inferences about what literature has noted in regard to this subject.

#### **2.8.1 Background to the financial crisis**

The global financial crisis that began in the United States of America created a devastating effect on the economies of other countries in the world (Clarke, 2010). Cheffins (2009) argues that the scale and reach of the crisis, and the fall of share prices on a single day was even more than the Great Depression of the 1930s. Several researchers and reports have reviewed the causes of this global financial crisis (Clarke, 2010; Tarraf, 2010; UNTACD, 2010; Yeoh, 2010). The

UNTACD report that was published in 2010 gives a good overview of how the financial crisis took place:

*“Expansionary monetary policy with falling interest rates caused asset price booms, particularly in the U.S. housing sector. This was accompanied with a rapid expansion of lending and a corresponding decline in underwriting standards and increase in risk, fuelled in part by the unregulated growth of the so-called ‘shadow banking system.’ This side of the financial system developed between 2000 and 2008 and consists of institutions and legal entities that provide financial intermediation without taking deposits. As such, they are not subject to the same regulatory oversight as institutions that do take deposits. These institutions used short-term credit to invest heavily in sub-prime mortgage-backed securities, which became increasingly risky as housing prices began to fall in the US after mid-2006. In the absence of regulatory oversight, the risk inherent in these assets were not adequately rated, yet had become increasingly dispersed throughout the global financial system. Being highly leveraged and holding what became known as ‘toxic assets’, large financial institutions in the shadow banking system began to fail as default rates began to rise. Global credit markets contracted with the decline in confidence: the record high interest rates that banks used to lend to each other almost halted inter-bank lending. This caused a global liquidity crisis and a subsequent decline in world trade triggering, through various feedback loops, a recession which has impacted real economies globally” (UNTACD, 2010:1).*

In Kuwait, and according to the report published by Capital Standards in 2011, the Kuwaiti market incurred a huge amount of losses. However, it was able to stabilise the economy using the accumulated surplus generated during the oil price boom prior to the crash. The global financial crisis caused many companies in Kuwait to default because these companies had outstanding debt with banks and financial institutions in the United States and Europe. Accordingly, foreign financial institutions, especially European banks, were reluctant to extend credit or restructure debt to defaulters.

One of the biggest banks in Kuwait, the Gulf Bank, suffered a bank run as a result of clients defaulting on bad debt related to currency derivatives. The Central Bank of Kuwait guaranteed deposits at Gulf Bank, but losses on the debt exceeded 375 million dinars (Sharif and MacDonald, 2008).



### **2.8.2 Effect of financial crisis on CSR**

The financial crisis increased the difficulty of finding and managing finance, which caused organisations all over the world to prioritise liquidity management and try to shape their actions in a way that is accordant with the goal of overcoming financial difficulties. One of the strategies followed in that regard was the saving strategy, which meant organisations reducing or cutting certain cost elements (Yelkikalan and Kose, 2012). Many authors have highlighted that the CSR budget should go through a major cut during a crisis phase because businesses will have difficulties in finding resources for their social responsibility projects (Ozkan, 2009; Karaibrahimoglu, 2010). As Ozkan (2009) stated: “the greatest social responsibility this year is to keep companies alive”, this view stresses the importance of the survival of business in order to maintain profitability, which goes in line with Carroll’s (1979) CSR pyramid and the economic dimension of the pyramid. Moreover, Karaibrahimoglu (2010) proved in her research on the top 100 companies chosen from the 500 list, that there was a significant reduction in the number and size of CSR projects during the financial crisis.

On the other hand, some authors claim that CSR should be an opportunity and necessity in times of crisis (Yelkikalan and Kose, 2012; Fernandez and Souto, 2009; Iwacewicz-Orlowska, 2010). Yelkikalan and Kose (2012) argue that financial crises always lead to certain social problems, such as laying off workers, and organisations should act proactively in that regard by putting CSR at the forefront, since it makes positive contributions to society and the corporate reputation of the business. Fernandez and Souto (2009) also stress that CSR should be used as a business opportunity to assist in relocating the business to a better position in the crisis period and overcoming the turbulent environment brought by the crisis. Iwacewicz-Orlowska (2010) also argue that CSR allows better risk management and strengthens the sense of confidence in the companies that is required for performing the activities needed in the course of the crisis. Therefore, companies that realise that a recession causes a loss of trust and understand that pushing their reputation to the forefront is a key challenge in maintaining their ability to operate successfully, are the companies that keep CSR as an important part of their activities during the recession.

Giannarakis and Theotokas (2011) used Global Report Initiatives (GRI) to assess the impact of the financial crisis on the performance of CSR by conducting a study on 112 companies, the majority of which were large-scale companies in the period 2007 to 2010. According to the results of this study, CSR performance increased in the said period, excluding the period of 2009 to 2010 when the effects of the crisis were felt to the greatest extent. According to the study, this increase was suggested to be due to the businesses' aims to maintain their brand value and the sense of confidence they gave to their customers, and redefining their relationship with society. Those businesses were aware that the benefits and opportunities of CSR become evident in times of crisis and that these rewards could be obtained as a result of perseverance in the long term, and so continued their CSR activities without interruption even in times of crisis.

The researcher believes that the literature on the effects of crisis on CSR practices indicates two different opinions and tendencies to either perceive the crisis as an opportunity for CSR to shine, or a threat to the liquidity of the companies. Hence, this is an area that is still lacking enough research and in-depth conclusive studies. The researcher's attempt to investigate within the Kuwaiti banks will hopefully contribute to the knowledge in this area.

## **2.9 Communicating CSR**

*"Business cannot hope to enjoy concrete benefits from CSR unless they intelligently communicate about their initiatives to relevant stakeholders"* (Maignan and Ferrel, 2004: 17).

Communication of a company's social activities is important, and disclosing true and relevant information about corporate behaviour can have benefits for stakeholders, organisations and society (Hooghiemstra, 2000). Morsing (2006:171) defines CSR communication as "communication that is designed and distributed by the company itself about its CSR efforts". Research suggests that the more companies disclose their ethical and social activities, the more likely they are to attract critical shareholder attention (Ashforth and Gibbs, 1990; Vallentin, 2001). In a study conducted by Dawkins and Lewis (2003), the findings revealed that there is a clear and explicit demand from stakeholders for information on companies' CSR activities. Stakeholders demand also to see the

social reports of companies that they have a relationship with, be that as an investor, an employee, or a customer. The study also revealed that in addition to publishing corporate responsibility programmes to external stakeholders, internal communication can have a powerful impact on employee advocacy of the company, where the propensity to speak highly of the company to outsiders increases considerably among those aware of the company's CSR programme. This is very important, bearing in mind that an employee is one of the most powerful spokespeople for the company in the eyes of other stakeholders (Dawkins and Lewis, 2003). Du et al. (2010) also report that communicating CSR activities can offer several benefits, such as increasing organisational image, greater consumer loyalty and purchase likelihood, and advocacy behaviour. This motivates organisations to highlight their CSR actions (Elsbach, 2003).

Furthermore, CSR reporting is a way for organisations to provide information for different stakeholders regarding social and environmental issues. The basic form of CSR reporting can be described within the scope of "public-information model" (Grunig and Hunt, 1984:22) that should communicate "to the public what the organisation has done to be responsible and should explain lapses into irresponsibility" (Grunig and Hunt, 1984:48). Organisations either report CSR activities in their annual report, or in a separate corporate responsibility report. According to Van der Laan (2004), reports can be mandatory, solicited or voluntary. Advocates of mandatory reporting believe that reporting should be regulated by the state in order to protect citizens and to ensure that appropriate information is provided (Doane, 2002). Solicited reporting is issued by a particular stakeholder group and develops more symmetrical and dialogical forms of communication, which enable stakeholders to obtain richer, and in many cases better, information (Van der Laan, 2004). Voluntary reporting is the most recognised form of reporting; the main characteristic of these reports is their voluntary form and contents, which can lead companies to use the reports to portray their image in a favourable light (Stittle, 2002).

Pomering and Dolnicar (2009) argue that CSR annual reports have low communication effectiveness and are unable to reach a wide audience. Therefore, organisations are now turning to other ways of communication to stakeholders, such as press releases, television commercials, print

advertisements, billboards, the company's website, social networking sites, and internal communication to employees in the form of newsletters, emails, or web portals (Du et al., 2010). On the other hand, Birth et al. (2008) stress that the most effective three channels to communicate CSR are social reports, websites, and advertising.

There are other non-traditional approaches through which to communicate CSR – advocacy advertising and cause promotion (Menon and Kahn, 2003). A company that uses advocacy advertising provides a resource to a cause or philanthropic organisation and its involvement is communicated through channels that focus on the cause or philanthropic organisation rather than the company. Cause promotion on the other hand encourages audiences to purchase a product that will benefit the cause; this is also called cause marketing. Menon and Kahn (2003) argued that when a company does not advertise in a way that shows how the company itself benefits, this will generate more elaborate processing by the message receiver to understand the actual motives of the company. Instead, cause promotion shows clearly the company's motive to sell their product. Menon and Kahn (2003:325) found that "cause promotion yielded higher ratings of CSR than advocacy advertising". They argued that it is easier for stakeholders to understand a company's support for a cause when they see the business benefit from selling the product. Companies can also communicate their CSR activities through a third party, which involves reporting CSR activities by individuals who are unbiased and not associated with the company, such as journalists and opinion leaders (Du et al., 2010). This is an integral part of many organisations' advertising strategies and can increase the legitimacy of an organisation's activities (Perks et al., 2013). Yoon et al. (2006) argue that information received from a third party generates higher perceived sincerity than a company's advertisements because they bring attention to funds that the company could be spending on the cause unless the contribution to the cause is higher than advertisement spending. Many authors agree with Yoon et al. (2006), such as Simmons and Becker-Olson (2006), who stress that attitudes of audiences were more favourable when the information source was a third party rather than the company itself. Dawkins (2004) also made a study that revealed that people admire CSR advertisements that use third party endorsements.

There is no evidence of what Kuwaiti banks are communicating to their stakeholders in terms of CSR, how they communicate their message, and to whom. Thus, this research will fill the knowledge gap and will, hopefully, answer these questions.

### **2.9.1 CSR communication strategies**

CSR engagement today requires more sophisticated and on-going stakeholder awareness. This can be done through the usage of more sophisticated CSR communication strategies than before (Morsing and Schultz, 2006). Du et al. (2010) argue that awareness of companies' CSR activities is still low among public and stakeholders, which proves a need for effective communication strategies and confirms that decisions are crucial regarding which communication strategy is to be used, towards which stakeholders, and through which channels. Morsing and Schultz (2006) outlined three CSR communication strategies – the information strategy, the response strategy, and the involvement strategy. Each will be explained in more detail in the following sub-sections.

#### ***2.9.1.1 The information strategy***

The information strategy is based on one-way communication from an organisation to its stakeholders in which organisations are concerned with “telling” and not “listening” to stakeholders. Organisations using this strategy aim to inform their stakeholders about their good intentions, decisions, and actions in relation to their CSR efforts to ensure their support, but without the use of third party endorsement, because the organisation believes that they are the only ones who can provide and deliver trustworthy communications. Hence, they engage in active press relations programmes and concurrently produce information and news for the media, as well as a variety of brochures, pamphlets, magazines, facts, numbers, and figures to inform the general public (Morsing and Schultz, 2006). This type of strategy, although it informs the stakeholders of all required information about CSR activities, does not involve participation and engagement, and the organisation is in full control of the communication situation. This is what is called by Bivins (2004:3) controlled information, where “companies are in control as to editorial content, style, placement, and timing”.

### ***2.9.1.2 The response strategy***

The response strategy is a two-way communication strategy that involves stakeholders in the CSR communication, whereby they are given the opportunity to respond to it. Here, organisations are engaging their stakeholders to determine whether or not their CSR activities are accepted. In this strategy, communication is executed with an aim to gain feedback from stakeholders so as to learn what they tolerate and accept. Feedback is obtained through opinion poll or a market survey to make sense of where the company has improved and can improve its CSR efforts. This is an evaluative method to measure whether a particular communication initiative has improved stakeholder understanding of the company or not (Morshing and Schultz, 2006). Since the communication in this strategy is sender-oriented, organisations using this strategy are in relative control, as the feedback which they do not control is invisible to the public and can only be viewed by the organisation. Hence, the organisation is not really engaging in actual dialogue with its stakeholders and does not encourage involvement, but rather is asking stakeholders to respond to the communication (Morsing and Schultz, 2006).

### ***2.9.1.3 The involvement strategy***

The involvement strategy delivers an opportunity for dialogue, participation, and involvement. Persuasion may occur, but it comes from stakeholders as well as from the organisation itself where each is trying to persuade the other to change (Morsing and Schultz, 2006). Hence, it is also a two-way communication, but in contrast to the response strategy, it allows stakeholders and the organisation to influence each other through dialogue. Therefore, the stakeholders here are not just receivers in the communication process, but rather proactively involved in it. This enables the organisation to understand and live up to the stakeholders' expectations, concerns, and interests, as well as identify potential risks, since these stakeholders may present unmet needs, thus allowing companies to turn these into opportunities for creating value (Morsing and Schultz, 2006; Freeman and Velamuri, 2006). Organisations implementing the involvement strategy do not impose a particular CSR initiative on stakeholders, but rather invite them to explore their concerns (Morsing and Schultz, 2006). One of the most used channels in the involvement strategy is the use of third party endorsement by including the opinions and statements of external stakeholders, such as

specialists, celebrities or internal stakeholders who are included as advocates (Smith, 2005).

Morsing and Schultz (2006) stress that in order for organisations to succeed with their CSR communication, all three communication strategies must be used. The first two strategies are important to inform and encourage responses from stakeholders. Organisations should also be able to involve stakeholders in the communication of CSR and combine the three strategies as they are interdependent.

In this study, the researcher will try to find out what type of communication strategies banks in Kuwait are following.

### **2.9.2 Stakeholder theory and CSR communication**

The stakeholder theory introduced by Freeman (1984) was presented and discussed in detail in previous sections; however, the researcher will also try to discuss the link between the stakeholder theory and CSR communication. In recent years, the stakeholder theory has developed a focus on the importance of engaging stakeholders in long-term value creation that will lead to long-term mutual relationships, rather than focusing only on immediate profit (Andriof et al., 2002). Accordingly, the emphasis has moved from a focus on stakeholders being managed by companies, to a focus on the interaction and engagement that companies have with their stakeholders based on a relational and process-oriented view (Andriof et al., 2002). The stakeholder relationship is supposed to consist of “interactive, mutually engaged, and responsive relationships that establish the very context of doing modern business, and create the groundwork for transparency and accountability” (Andriof et al., 2002:9). This brings the idea of participation, dialogue, and engagement “to the center of stakeholder theory with a clear inspiration and aspiration from democratic ideals” (Morsing and Schultz, 2006:325).

### **2.9.3 Message content**

Excessive CSR communications can lead to a negative impact on the organisation’s legitimacy, as it may be seen by the stakeholders as exploiting social and environmental actions for the organisation’s interest (Schlegelmilch and Pollach, 2005). Leiss et al. (2005) also stressed that the messages

organisations try to communicate regarding their social activities may receive a fair amount of criticism if the stakeholders feel that they are sent in accordance with the sender's objectives, or if they think that the organisation has a manipulative intention. However, as Forehand and Grier (2003) argue, stakeholder scepticism is reduced if companies indicate the self-beneficial consequences regardless, as stakeholders expect such always to be present. Furthermore, and as Du et al. (2010) mention, the content of the message should highlight objective facts and if the message seems unrealistic in comparison with the goal of maximising profit, the legitimacy will arguably decrease and scepticism for hidden motives will arise. Hence, the content of the CSR message should clarify the level of the company's involvement in CSR activities by emphasising one or more of the following factors: commitment, impact, motives, and fit between the company's business area and the social cause (Du et al., 2010).

#### **2.9.4 Global instruments for CSR reporting**

There have been several attempts to create a common global framework of CSR reporting (Owen, 2003). The Global Reporting Initiative, developed in cooperation with the United Nations Environment Program (UNEP), is particularly well established (Hopkins, 2003; Owen, 2003). GRI is now an independent organisation based in Amsterdam, and it aims to develop and disseminate globally applicable sustainability reporting guidelines to enable organisations to voluntarily report on their activities in the social, environmental and economic dimensions. The GRI provides a set of reporting principles and structured report content with indicators for these three domains (Owen, 2003). According to KPMG's *International Survey of Corporate Responsibility Reporting*, an international study released by KPMG in 2011, 95 percent of the 250 biggest companies in the world report their sustainability performance, with 80 percent of these using the GRI Guidelines (KPMG, 2011). Furthermore, according to the GRI database, more than 5,000 organisations from 60 countries use the guidelines to produce their sustainability reports. It is worth mentioning that three companies in Kuwait followed GRI reporting principles when producing their 2012 annual reports: Equate Petrochemical Company, Zain Telecommunication Company, and Kuwait Finance House (<http://database.globalreporting.org>). Thus, only one bank in Kuwait follows GRI



reporting. A similar standard to the GRI, the Accountability AA1000 assurance standard, has also been introduced (Hopkins, 2003). However, AA1000 does not directly concern itself with prescribing reporting formats and is, therefore, not as strict in terms of reporting guidelines (Golob and Bartlett, 2007). Instead, the importance of engagement with stakeholders is given greater stress than in the GRI (Owen, 2003). There is evidence, however, that GRI is more rapidly gaining ground and AA1000 has linked up with GRI (Hopkins, 2003).

## **2.10 Summary of findings**

This comprehensive review of the literature provided the researcher with an in-depth understanding of the evolution of the definition of CSR during the last sixty years. It shows that the concept of CSR is not new, but is still indefinable. Moreover, the remit of CSR has also grown significantly and today it is underpinned by a great proliferation of theories, leading to a variety of approaches and terminologies, as presented and discussed using the classification of Garriga and Mele (2004). The literature demonstrated that the definition and implementation of CSR can be highly country specific, with local context playing a unique role in how it is shaped in organizations. The focus of this research was, consequently, not on how banks in Kuwait comply to a standard global definition of CSR, but rather, how banks and stakeholders in Kuwait interpret CSR. Furthermore, the impact of CSR on stakeholders was also investigated where, in general, it was established that CSR affects employment as well as specific banking decisions. However, it is not evident if this is the case for Kuwaiti banks.

Since Islam is the dominant religion practiced in Kuwait, the researcher also discussed CSR as understood in Islam, by highlighting the values and principles of Islam that can be similar to the prevailing notion of CSR. The literature revealed that there are important areas of influence such as a resonance between the teachings of Islam and the concept of CSR, per se, and specifically the accord between the Islamic approach to CSR and the ethical theories underpinning CSR. These aspects will be investigated further in the data analysis section of this thesis.

It was also considered essential to shed light on the perceived impact of the global financial crisis on CSR, since this research was conducted during this

period. Whilst it was evident that the crisis had an impact on CSR, two contradictory views of this impact emerged.

This review of the literature has contributed to providing answers to the research questions; however, the following will be examined through analysis of the data that were collected:

- How CSR is understood in the Banking sector in Kuwait by investigating the banks' definitions and practices and how stakeholders' in Kuwait understand it.
- The influence of CSR on stakeholders' employment and banking decisions.
- The effect of the global financial crisis on CSR conceptualizations and practice and on stakeholders' perceptions.
- The influence of Islam on CSR conceptualizations and practice as well as on stakeholders' perceptions.

## Chapter 3: Methodology

Having introduced the literature and expanded on many relevant arguments in the previous chapter, this chapter serves to provide the methodology of the research. Each section will discuss and provide justification for the methodological choices made with regards to the research, and the chapter will present the research purpose, research approach, research philosophy, data collection, and sample selection. At the end of the chapter, the researcher will discuss the limitations of this study, reliability and validity matters, and the methods employed in analysing the data.

### 3.1 Research purpose

According to Marshall and Rossman (1994), the purpose of scientific research can be classified into three different categories:

- **Exploratory research:** Exploratory research is useful when the problem is difficult to limit or state, the perception of which model to use is diffuse, and when it is unclear what characteristics and relations are important. Zikmund (2000) states that the purpose of exploratory research is to clarify ambiguous problems and to reach a better understanding about the nature of a problem. Accordingly, exploratory research is appropriate to use when there is little prior knowledge to the problem and before the commencement of the study (Aaker et al., 1998; Hussey and Hussey, 1997; Kumar, 2005; Sekaran, 2003).
- **Descriptive research:** This kind of research is used when the purpose of the research is not to try to establish causal relationships between events and when events are simple to describe. According to Zikmund (2000), if the purpose of a research is to provide a description of various characteristics of a phenomenon or population, it is descriptive. Descriptive research is appropriate to use if the research purpose is clearly structured and the researcher knows what knowledge it aims to collect (Wiedersheim-Paul & Eriksson, 1991).
- **Explanatory research:** Explanatory research attempts to investigate the causes of particular phenomena and answer questions by using cause and effect relationships. It focuses on why events occur and tries to test and

build theories. Moreover, proof is essential for this type of research and thus research questions and hypotheses need to be relevant, clear and specific (Aaker et al., 1998).

With regard to this study, there is indefinite information about how banks in Kuwait exercise CSR, and little is known about CSR impact on stakeholders' decisions and attitudes. Therefore, the aim of this research, to obtain a better understanding of how corporate social responsibility works in practice in the Kuwaiti banks, makes the research exploratory. However, since this is done by attempting to describe how banks in Kuwait and their stakeholders understand CSR and put in practice their internal and external CSR activities, and since the researcher will also describe what banks in Kuwait have been doing in the name of CSR and how it could affect the decision of the stakeholders, the research is also of a descriptive nature.

### **3.2 Research approach**

Research comprises a theoretical and methodological approach. The theoretical approach is inductive or deductive and the methodological approach is quantitative or qualitative (Zikmund, 2000).

#### **3.2.1 Theoretical approach**

According to Zikmund (2002), there are two different approaches that can be used when drawing conclusions in research. The inductive approach is used when a researcher draws a conclusion from a specific, observed phenomenon and establishes a general conclusion, theory, or model from this (Wiedersheim-Paul and Eriksson, 1991). Thus, the inductive approach is characterised by data driving theory development. On the other hand, a deductive approach is used if a researcher forms a hypothesis, or examinable statement about reality, based on an already established theory (Wiedersheim-Paul & Eriksson, 1991). Hence, in the deductive approach, the collection of data is driven by theory and hypothesis. Marshall (1997:17) showed the theoretical use of both terms as follows:

*“When researchers first begin to open up any new line of enquiry there will be no useful theories available from which to deduce propositions for testing. Knowledge has to begin with collecting facts*

*and then trying to find some order in them. This is known as induction. Deduction is the technique by which knowledge develops in more mature fields of enquiry. It involves a sort of logical leap. Going a stage further than the theory, data is then collected to test it.”*

This research has an inductive approach since no theory or hypothesis is being tested (Crane, 2000; Eisenhardt, 1989; Baker, 2002), and because theory is expected to emerge from the data (Strauss and Corbin, 1998; Mintzberg, 1979; Pettigrew, 2000). Moreover, an inductive approach allows for the exploration of the research objective in question without a defined notion of what the data would look like or the relationships that might be found within it (Saunders et al, 2007; Mintzberg, 1979). In this study, the researcher started the research process by exploring and collecting data from different sources and by using two different sources of evidence: semi-structured interviews from different stakeholders, and document analysis in an attempt to better understand how CSR is exercised in Kuwaiti banks from different perspectives as well as the effect of the global financial crisis and Islam as a religion on CSR conceptualizations and practice and on stakeholders' perceptions.

Thus, the inductive approach allows the exploration of CSR depiction in Kuwaiti banks, and provides the opportunity for a rounded understanding of potential issues and relationships as they exist in practice.

### **3.2.2 Methodological approach**

Similar to the previous theoretical debate that was discussed, an essential distinction about research occurs in the methodology and methods debate. When conducting research, the researcher will either use a qualitative or quantitative approach (Creswell, 2002).

- **Quantitative research approach:** This involves the use of structured questions where the response options have been predetermined and a large number of respondents are involved. The measurement must be objective, quantitative, where the information will be transformed into numbers and amounts and later analysed statistically. Furthermore, quantitative research seeks explanatory laws, uses instruments, strives for generalisation, and is based on the measurement and the analysis of causal relationships between variables (Denzin and Lincoln, 2005).

- **Qualitative research approach:** The research will rely on collecting, analysing, and interpreting data by observation. The qualitative research approach refers to the meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things. It also includes a great closeness to the respondents or to the source that the data is being collected from (Creswell, 2002). The qualitative approach is characterised by gathering abundant information and investigating several variables from a limited number of respondents. The nature of this type of research is exploratory and open-ended with the use of case studies and interviews, where no set answers or alternatives are offered. Qualitative research is subjective, aims at in-depth description and strives for uniqueness. Moreover, it tends to focus on exploring, in detail, smaller numbers of instances or examples which are seen as being interesting or helpful, and aims to achieve deeper understanding than what is often possible in a quantitative research method (Blaxter, 2001). Qualitative research has several distinguishing features – it is conducted in a natural setting, without intentionally manipulating the environment, it typically involves highly detailed rich descriptions of human behaviours and opinions, the research questions often evolve as the study does, because the researcher wants to know “what is happening” and may not want to bias the study by focusing the investigation too narrowly. Moreover, the researcher becomes a part of the study by interacting closely with the subjects of the study (Savenye and Robinson, 2004).

Weiss (1994) states that the qualitative approach focuses on description of a visualisable series of incidents, while the quantitative approach assesses the correlation between an earlier incident and subsequent incident in terms of quantifiable data. According to Nyberg (2000), the aim of qualitative research is to interpret and understand by asking questions such as whom, who and why. The answers given to the questions are most likely to be in sentences or words. A qualitative method means that the researcher looks upon people, settings and groups in a way that does not reduce them into figures or variables (Taylor and Bogdan, 1984). In contrast, the general objective of quantitative research is to measure and explain. Therefore, questions asked in quantitative research are how much, many, often, or to what extent. The answers can often be measured,

calculated, or revised with statistical methods, and the focus is on numbers and figures, rather than words (Zikmund, 2000). Maxwell (2005) and Saunders et al. (2000) argue that it is essential to choose the research approach that best fits with the research aim and questions.

In this research, based on the research questions where the answers cannot be quantified, and the aim to gain a better understanding of how CSR works in practice in the Kuwaiti banks, it is more suitable to employ a qualitative approach. Moreover, the qualitative approach is the most appropriate approach if the researcher is attempting to conduct exploratory, inductive research that is focused on understanding the meanings and actions of individuals and groups in the social world, and when little is known about the phenomenon that has to be studied in context, to produce the kind of results useable by practitioners (Strauss and Corbin, 1998; Saunders et al, 2000; Baker, 2002). Furthermore, since the main data-gathering instrument is the researcher herself, who will be using tacit knowledge as well as propositional knowledge (Savenye and Robinson, 2004), the qualitative approach should be the more suitable method. It is worth mentioning that a qualitative approach requires significantly more time to design, collect, and analyse data and to report the results than quantitative studies (Savenye and Robinson, 2004). Jacob (1987) highlights the fact that in qualitative research, the questions, issues, and topics of the study themselves may change as the researcher's conception of the reality of the "world" being studied changes. Hence, the design of the research often emerges as the research progresses, with the researcher continually refining the methods and questions. This may be uncomfortable for those experienced with quantitative research (Savenye and Robinson, 2004).

### **3.3 Research philosophy**

Research philosophy is an essential part of the research process as applying a specific research orientation "prescribes the relationship between methods, data, theories, and the values of the researcher" (Ghauri and Grønhaug, 2010:14). The research philosophy therefore serves as a guideline regarding the selection of method, data and theory, as well as presenting the approach to reality and knowledge generation inherent in the thesis.

The researcher adopted the interpretive paradigm where she acted as interpreter, in an attempt to identify meanings associated with certain social settings, such as discourse and interviewees' interactions, trying to understand the subjective meaning of such approaches (Mason 2002), by challenging preconceived assumptions about the nature of what is being studied (Toren, 1996). Within the interpretive paradigm, the researcher is acknowledged as part of the findings where they enter the social world of the participants and attempt to understand the world from their point of view. Orlikowski and Baroudi (1991: 5) stress that:

*"Interpretive studies assume that people create and associate their own subjective and intersubjective meanings as they interact with the world around them. Interpretive researchers thus attempt to understand phenomena through accessing the meanings participants assign to them".*

Furthermore, in an interpretive study, the researcher's role is to give voice to participants' views of the social world, and identify patterns that might clarify the social processes in question. Sandy (1983:20) stresses that: "the researcher is an instrument in observation, selection, coordination, and interpretation of data".

The social constructionist approach is widely acknowledged to be within the interpretive paradigm of management theory (Burrell and Morgan, 1979), and offers an alternative way of examining corporate behaviour. From this perspective, companies are seen as subjective realities that through communication and interaction between decision-makers, employees and stakeholders are continuously being constructed and enacted (Weick, 1979). According to Burr (2001), social constructivism abandons the idea of a given reality and, subsequently, the idea of fixed identities. Instead, the social constructivist ontology is concerned with, as the name implies, how reality is constructed within the tension field of culture, historical time and social engagement. Thus, social constructivist research:

*"...concerns itself with exploring the way people make sense of their worlds and how they express these understandings through language, sound, imagery, personal style and social rituals" (Daymon and Holloway, 2002:4).*



Since the social constructivist approach is concerned with how language and interaction creates our social reality, the researcher believes that it is the most suitable approach to adopt, because it allows the researcher to create meaning from the text analysed and also examine how stakeholders generate meaning and interpret CSR in their banks and, subsequently, how this may be a factor in the reality construction that is based on the interpreted meaning, and its role in reality construction.

### **3.4 Data collection**

Creswell (2007) stresses that qualitative researchers collect data in a natural setting sensitive to the people and places under study, where the final presentation includes the voices of the participants, the reflexivity of the researcher, and a complex description and interpretation of the problem, and it extends the literature or signals a call for action. The process explained by Creswell will be followed in this research, as the researcher will collect data in the natural setting to have up-close information over the time. Two sources of evidences were used to ensure that each source will complement the other. The researcher will be the key instrument in collecting data by interviewing the stakeholders and examining documents. This research is an interview and documentary analysis-based study of perspectives of CSR in Kuwait as seen by three distinct groups, namely: the banks' that operate in Kuwait, which is explored using interviews with the decision makers of the banks and through the analysis of banks' documents; employees' and customers' which is explored using interviews. Both data collection methods will be discussed in detail in the following sub-sections.

#### **3.4.1 Interviews**

Interviews are mostly of an open-ended nature where the researcher can ask respondents about the facts of a matter as well as their opinions about events. They are useful because they attempt to understand things that cannot be directly observed, such as things that took place in the past, the meanings people assign to their experiences and/or how they organise the world (Patton 2002, Keats 2000). Interviews are also used to "unravel the complexities of large-scale social change" (Gerson and Horowitz, 2002: 201) by examining how individuals experience, interpret and shape their responses to these changes.

Therefore, by talking to those involved in the development and implementation of CSR strategy, or to other major stakeholders affected by CSR, it will be possible to better understand the CSR phenomena from different angles, and get an insight into the meanings ascribed to it at an individual level. These positive aspects are the reasons behind choosing interviews as a method for collecting data in this research.

The researcher conducted three sets of interviews. The first set was directed towards CSR decision makers in the Kuwaiti banks to gain a deeper understanding of how CSR is defined and implemented in these banks. Particular attention was given to the effect of the global financial crisis on CSR practices, and the impact of Islam on the way CSR is implemented. The second set of interviews was with the employees of the banks, where the researcher tried to capture how CSR is understood and whether its adoption is important to employees and has any effect on their perception of their banks. In addition, these interviews examined the perceived effects of the 2008 financial crisis and adherence to Islamic principles. The third set of interviews was with the customers to get an insight into their understanding of the term CSR and awareness of their preferred bank's CSR activities. These interviews sought to establish whether having CSR policies and practices in place affects the perception of customers' towards their preferred bank, in addition, the effect of the 2008 financial crisis and Islam on customers' decision-making and perceptions was also investigated.

According to Bryman and Bell (2007), there are three kinds of qualitative interviews – structured, unstructured, and semi-structured. The structured interview has close-ended questions that help the respondents to make up their mind quickly (Burgess, 1984). In a structured interview, it is difficult for the interviewer to add new questions or to allow space for comments. The unstructured interview however, tends to be very similar to a conversation, where the interviewer asks the questions and the interviewee is allowed to respond freely. The interviewer in this case will respond only to the points that seem worthy of being followed up. The semi-structured interview has a list of questions, often referred to as an interview guide, this ensures they follow the same basic guidelines of enquiry with each participant (Patton, 2002). In this research, the researcher used the semi-structured interview, because it

provides rich, in-depth data in the form of stories, examples and accounts of how individuals understand their own experiences, which can be used to understand social phenomenon (Rubin and Rubin, 1995). Burns (1989) states that the semi-structured interview encourages the social reality of the person interviewed, as told in his own words, and this is the type of data the researcher needs to capture. Moreover, the semi-structured interview provides a positive exchange between the researcher and participant, is less threatening, and can empower those involved to provide their own interpretations and meanings. With semi-structured interviews, it is possible to probe individual respondents to uncover underlying motivations, beliefs, attitudes, and feelings on a topic (Malhotra and Birks, 2003).

All interviews were conducted face-to-face since this allows a rapport to develop more quickly and creates an atmosphere of trust, where interviewees feel more comfortable talking about several issues. Furthermore, face-to-face interviews allow the interviewer to see the body language of the interviewees, hence allow the perceiving of inconsistencies between what is said and how it is said (Bryman and Bell, 2007). With the permission of the interviewees, interviews were all tape-recorded. Tape-recording allows the researcher to be alert to what is being said, follow up and prompt interesting points made by the interviewee, and draw attention to any inconsistency in the interviewee's answers. The average interview took approximately one-and-a-half hours. The period over which all the interviews were conducted lasted for three months.

Since the data gathered in the interviews forms a collaboration of meanings around how CSR works in the banking sector in Kuwait, and since reflexivity is a critical element in good research (Cassell and Symon, 2004; Nason and Golding, 1998), it is essential to be reflexive on the interview process and the significant factors that affected the process. King and Horrocks (2010) maintain that reflexivity in qualitative research invites researchers to look "inward" and "outwards" to explore the intersecting relationships between existing knowledge, the experience of the researcher, research roles, and the world around us. King and Horrocks (2010) also stress that reflexivity opens up possibilities around additional and often radically different ways of seeing and comprehending people's lives and experiences. Payne (2007) argues that reflexivity allows the researcher to acknowledge their role in the creation of the analytical account,

and enables a critical stance to be taken towards the impact of both the researcher and the context in which the research takes place. In this research, the researcher practiced reflexivity by ensuring that impressions and reflections were recorded immediately after each interview in a reflection log where thoughts, personal experiences, and even thoughts about the research process were recorded. Through the on-going interviews, the researcher noted a number of issues which it was believed could influence the interview process, such as nervousness, pride (which was seen with one of the decision makers who happened to be also a shareholder and made the researcher feel very fortunate to have the chance to meet her), the need to try to understand the participants' perspective (which implies listening to what they had to say, even if the information provided is out of context), conservativeness (a common habit in closed communities and countries like Kuwait, where it is not expected for people to be open with strangers, thus it was challenging to extract information), and time constraints (when participants may start to elaborate on things not critical to the research and the researcher had to bring them back to the key points). Furthermore, since the researcher works in the same industry, her personal experience was used in certain cases to provide useful insights into the research. However, care was taken to ensure that this would not be developed to a subjective form of self-indulgence, but rather provide critical and useful information that would augment the research.

It is worth mentioning that King and Horrocks (2010) see qualitative interviewing as a highly personal activity that necessitates critical self-reflection. Hence, when qualitative interviewing is used, the researcher will be stepping forward to embrace his or her personal involvement in the activity of research. The researcher practiced reflexivity through the face-to-face interviews that were conducted, where she was engaged in self-reflection by looking at how her reactions during the interview may have influenced participants and helped to build a better rapport. Self-reflection has also helped the researcher in interpreting the experiences of the interviewees by looking at how they feel, which has provided a good insight that enriched the research.

Furthermore, reflexivity can be used in ways that formalise accountability, since it supposes that the researcher makes visible his or her part in the production of knowledge (King and Horrocks, 2010). Hence, the researcher is accountable.

This was also agreed by Steier (1991) who argues that reflexivity is about “you taking responsibility”. Finaly (2002) argues that reflexivity can be used to support validity claims because it can be used as a quality technique that confirms the research approach.

### **3.4.2 Document analysis**

In this research, organisational document analysis was conducted in order to complement the interviews. Documents were used to obtain a better understanding of the banks’ perspective of exercising CSR, the key themes and characteristics of the CSR programmes adopted, and the way Islam is referenced in CSR reporting. According to Bryman and Bell (2003), organisational documents are known as a heterogeneous group of sources that are of particular importance to business and management researchers. Corbetta (2003) identified a number of advantages of documents over other research methods: (a) it is a non-reactive technique where the information given in a document is not subject to a possible misrepresentation as a result of the interaction between the researcher and the respondent, e.g. as in interviews; (b) it helps the researcher to study the past; (c) it is a cost-effective method as the information has already been produced (Denscombe, 1998). Yet, documents may have some limitations in terms of the accuracy and completeness of data (Patton, 2002). Organisational documents can be available either in the public domain, such as annual reports, mission statements, reports to shareholders, press releases, advertisements and public relations material in printed form or on the internet. Other documents may not be in the public domain, such as company newsletters, organisational charts, memos and correspondence. Data used in this study were available in the public domain. Due to confidentiality reasons, the researcher was not able to obtain documents from the non-public domain. Hence, data were obtained from banks’ annual reports, CSR annual reports, codes of conduct, CSR mission statements, public relations materials, press releases, and the banks’ websites. Bank websites are a valuable source of information because they provide a recognised channel which companies use to communicate their CSR practices and aims to their stakeholders (Snider et al., 2003). These mediums are usually targeted towards a variety of stakeholders and therefore offer a comprehensive perspective on the topic (Esrock and Leichty, 2000). By analysing these various organisational

documents, it is possible to understand how banks in Kuwait approach CSR, the driving motivation behind exercising it, and the processes addressed. Moreover, document analysis enabled the researcher to highlight and pursue any contradiction in the evidence emerging as a result of the discrepancies between the data in the documents and the interviews with the associated participants.

The data gathered from document analysis is considered to be secondary data – data gathered previously for a project other than the one at hand – and can be obtained from libraries or the internet, etc. (Zikmund, 2000). Secondary data can often be gathered at a low cost, however, there is a risk that it might be outdated or not appropriate to use, since the information has been collected for a different purpose.

Furthermore, organisations that practice CSR tend to report their activities. Corporate social reporting is a method of self-presentation and impression management conducted by companies to ensure various stakeholders are satisfied with their public behaviours (Hooghiemstra, 2000). Gray et al. (1996:3) defines corporate social reporting as:

*“the process of communicating the social and environmental effects of organisations’ economic actions to particular interest groups within society and to society at large.”*

Since reporting social activities is an important part of any CSR strategy, the researcher saw that the inclusion of organisational document analysis in this research would be crucial to better understanding this phenomenon.

Data was collected through the adoption of two models which were combined together. The first is Maignan and Ralston’s (2002) model which consists of principles to motivate CSR, CSR processes, and stakeholder issues. The motivation of companies in engaging in CSR activities is categorised into three categories: value-driven, stakeholder-driven, and performance-driven. The model also looks at the processes which companies use in order to bring their CSR motivational principles into practice. Based on Maignan and Ralston (2002) model, 17 different processes that organisations practice were identified. Finally, CSR practices are implemented by approaching different stakeholders; in the model, the stakeholder issues are divided into six sections: community,

customers, employees, investors, suppliers, and competitors. Maignan and Ralston's (2002) model also looks at additional CSR themes such as "accountability", "sustainability" and "transparency".

The second model is the framework developed by Van Leeuwen and Wodak (1999), which is used to examine how organisations legitimise their social activities. In this research, the model is used to test how religious and Islamic causes and CSR-related activities are legitimised in organisational documents. This is examined by first noting all references to Islam or religion along with any references to Islam-specific terminology, such as Ramadan, Hadith, Zakat, etc. Then, looking at the role Islamic authorisation, moralisation, and instrumental rationalisation play in the legitimisation discourse for CSR initiatives. According to Leewen and Wodak (1999), these different discursive strategies are used to legitimise the claim of being a responsible organisation. The discursive strategy of authorisation illustrates how policies, rules or specific social institutions that embody authority are either explicitly or metaphorically used. In the case of this research, authorisation denotes specific reference to tradition or authoritative institutions or persons. For example, in the Islamic context this would include reference to the Quran, Hadith, Shari'ah, Ramadan or Zakat. Moralisation is understood to mean specific mention of morality as a basis of the CSR initiative, or the specific presentation of a moral argument in its justification. In contrast, instrumental rationalisation focuses on pragmatic and non-religious benefits of the initiative, where it legitimises the responsible organisation in accordance with utility. Instrumental rationalisation deals with the objectives, effectiveness, or explanations of the appropriateness of actions (Leewen and Wodak, 2009). The researcher combined both frameworks in a tabular manner as seen in Table 3.1 and through the document analysis looked for proof of existence of each of the below elements, in each bank.

<i>Perspectives</i>	<i>Definitions</i>
<b><u>PRINCIPLES MOTIVATING CSR</u></b>	
<b>1. Value-driven CSR</b>	CSR is presented as being part of the company's culture, or as an expression of its core values.
<b>2. Performance-driven CSR</b>	CSR is introduced as part of the firm's economic mission, as an instrument to

<i>Perspectives</i>	<i>Definitions</i>
	improve its financial performance and competitive posture.
<b>3. Stakeholder-driven CSR</b>	CSR is presented as a response to the pressures and scrutiny of one or more stakeholder groups.
<b><u>CSR PROCESSES</u></b>	
<b>1. Community engagement and communication</b>	The company presents formal channels through which community stakeholders can be informed about or involved in projects and register complaints.
<b>2. Management of environmental impact</b>	The company discusses activities aimed at diminishing the negative impact of productive activities on the natural environment.
<b>3. Code of ethics and business conduct</b>	The company discusses the content and/or implementation of a code of ethics or conduct.
<b>4. Philanthropic programmes</b>	The company presents a formalised philanthropy programme made of a clear mission and application procedures to allocate donations, grants, time and/or efforts.
<b>5. Business operation</b>	The company offers socially responsible products/services to clients as part of its service portfolio.
<b>6. Corporate governance and compliance with law</b>	The company discusses corporate governance issues and/or the way in which it aims at complying with laws and regulations.
<b>7. Human resources processes</b>	The company discusses issues and activities related to the welfare of its staff regarding equal opportunities, learning and development and employee care.
<b>8. Risk management</b>	The company introduces risk management activities aiming at diminishing the negative impact of productive activities on the natural and social environment.
<b>9. Health and safety programmes</b>	The company introduces formal health and safety programmes aimed at one or more stakeholder groups as a form of responsibility initiative.
<b>10. Supply chain management</b>	The company presents activities and/or issues related to its social responsibility in the service value chain.
<b>11. Employee community involvement</b>	The company presents programmes that allow employees to work for a good cause



<i>Perspectives</i>	<i>Definitions</i>
	during paid working hours.
<b>12. Sponsorships</b>	The company introduces sponsorships as a type of responsibility initiative aimed at providing occasional assistance, either financial or in-kind, to a cause.
<b>13. Quality programmes</b>	The company describes a formal product/service quality programme and related certifications as a form of responsibility initiative.
<b>14. CSR report</b>	The company presents a formal CSR report comprising CSR activities.
<b>15. International CSR activities</b>	The company presents CSR activities that are developed outside the country of origin.
<b>16. Anti-corruption policies</b>	The company states clearly its position against corruption through corporate policies and/or guidelines.
<b>17. Independent CSR organisation</b>	The company creates and maintains an organisation such as an institute or foundation, aimed at carrying out CSR activities.
<b><u>STAKEHOLDER ISSUES</u></b>	
<b>1. COMMUNITY STAKEHOLDERS</b>	
<b>(a) Quality of life</b>	The company expresses its dedication to improving the quality of life and well-being of the community in which the firm operates, or of society as a whole.
<b>(b) Protection of the environment</b>	The company shows concern for the preservation of the natural environment, either in general or in the communities where the firm operates.
<b>(c) Education</b>	The company presents its support of activities aimed at improving educational opportunities and the quality of education received by populations outside the firm.
<b>(d) Human rights</b>	The company shows concern for human rights issues in the community in which it operates.
<b>(e) Arts and culture</b>	The company discusses its support of organisations, activities, actors and objects linked to the arts and the national culture.
<b>(f) Safety</b>	The company displays concern for the safety of the persons in the communities surrounding its productive operations.

<i>Perspectives</i>	<i>Definitions</i>
<b>(g) Animal welfare</b>	The company shows concern for animal welfare in the communities where it operates or in surrounding areas, through specific projects or activities.
<b>2. CUSTOMER STAKEHOLDERS</b>	
<b>(a) Quality</b>	The company presents the achievement of high product/service quality as part of its commitments to stakeholders.
<b>(b) Safety</b>	The company displays concern for the safety of its customers in relation to its production activities or products/services.
<b>(c) Data protection</b>	The company shows concern for the protection of data from clients.
<b>3. EMPLOYEE STAKEHOLDERS</b>	
<b>(a) Health and safety</b>	The company expresses its concern for protecting the safety of employees in the workplace along with their overall health level.
<b>(b) Equal opportunities</b>	The company expresses its commitment in giving the same chances to recruitment and promotion.
<b>(c) Learning and development</b>	The company shows concern for the training and development of its employees.
<b>(d) Employee care</b>	The company shows concern for the welfare of employees that go beyond the usual salary and benefits policies.
<b>4. SHAREHOLDERS/INVESTORS</b>	The company displays concern for its shareholders or investors through the statement of equal treatment policies, value creation and provision of relevant and updated information.
<b>5. SUPPLIERS</b>	The company discusses responsibility issues related to suppliers.
<b>6. COMPETITORS</b>	The company discusses responsibility issues related to competitors.
<b><u>ADDITIONAL CSR THEMES</u></b>	The company stresses additional terms such as “accountability”, “sustainability” and “transparency” as part of its CSR approach.
<b><u>ISLAMIC REFERENCING</u></b>	The bank references Islam in CSR reporting.
<b>1. AUTHORISATION</b>	The bank references authoritative institutions or persons. i.e Quran, Hadith, Sharia,

<i>Perspectives</i>	<i>Definitions</i>
	Ramadan, Zakat, prayers, etc.
<b>2. MORALISATION</b>	The bank discusses morality as a basis of the CSR initiative or presents a moral argument in its justification.
<b>3. INSTRUMENTAL RATIONALISATION</b>	The bank mentions pragmatic and non-religious benefits of the initiative.

**Table 3.1: Document analysis framework**

Documents were analysed through the use of the content analysis technique which has been used extensively in examining social responsibility disclosure in annual reports and corporate websites (Ze'ghal and Ahmed, 1990; Hackston and Milne, 1996; Williams and Pei, 1999). This technique was used to detect the presence or absence of CSR principles, processes, stakeholder issues, and Islamic referencing, as explained earlier and as demonstrated in the above table. Moreover, a scoring system was made and points were assigned whenever an item was present in a bank. Disclosure scores for each bank were added up and not weighted, assuming that each item of disclosure is equally important.

### **3.5 Sample selection**

According to Zikmund (2000), sampling involves any procedure that uses some part of a whole population. There are two alternatives regarding how to select an appropriate sample: a probability sample, which is selected using randomly so that each unit in the population has a known chance of being selected, or a non-probability sample, which is selected using a non-random selection method which means that some units in the population are more likely to be selected than others (Bryman and Bell, 2003). In this research, non-probability sampling technique was chosen. According to Bryman and Bell (2003) and Saunders et al. (2007), there are four types of non-probability sampling: (1) convenience sampling: which involves choosing a sample that is available to the researcher by virtue of its accessibility. (2) Snowball sampling: in this form of sampling, the researcher makes initial contact with a small group of people who are relevant to the research topic and then uses these to establish contacts with others. (3) Quota sampling: this involves producing a sample that reflects a population in terms of the relative proportions of people in different categories, such as

gender, ethnicity, age groups, socio-economic groups, and region of residence. However, the sampling is not carried out randomly, as the final selection of people is left up to the researcher (Bryman and Bell, 2003). (4) Purposive sampling: this is when the researcher chooses the sample based on who he thinks would be appropriate for the study. This is used primarily when there are a limited number of people that have expertise in the area being researched (Saunders et al, 2007).

#### 1. Selection of banks

Since the aim of the study is to obtain a better understanding of how CSR works in practice in Kuwaiti banks, all Kuwaiti banks were included in the study whether Islamic or conventional. International banks operating in Kuwait were excluded because, as per the regulations of the Central Bank of Kuwait, international banks operating in Kuwait are only allowed to open one branch with a very limited scope of operations and business. Hence, their presence is very restricted, and is mainly limited to corporate banking and treasury. International branches are not allowed to serve individuals and their main focus is serving and financing companies. This makes the practice of CSR in Kuwait of no relevance for them. Table 3.2, below, shows the banks selected, as well as additional data obtained about each bank.

Bank	Conventional / Islamic	Year of establishment	Total Employees
National Bank of Kuwait (NBK)	Conventional	1952	2,921
Burgan Bank	Conventional	1977	797
Ahli Bank of Kuwait (ABK)	Conventional	1967	809
Kuwait Finance House (KFH)	Islamic	1977	2,109
Ahli United Bank (AUB)	Islamic	1971	525
Gulf Bank of Kuwait (GBK)	Conventional	1960	1,136
Kuwait International Bank (KIB)	Islamic	1973	487
Boubyan Bank	Islamic	2004	500

Bank	Conventional / Islamic	Year of establishment	Total Employees
Commercial Bank of Kuwait (CBK)	Conventional	1960	1,100

*Source: Banks' websites*

**Table 3.2: Kuwaiti banks**

## 2. Selection of interviewees

As mentioned earlier, three sets of interviews were conducted to different stakeholders – CSR decision makers, banks' employees, and customers – to gain a better understanding of how people in Kuwait define CSR, give an insight into the impact of these programmes on these stakeholders, and the effect of both the global financial crisis and Islam on the perception of the stakeholders. In the following sub-sections, the researcher will elaborate on how the participants were selected.

### (a) Selection of decision makers

After identifying the participant banks, the executives in charge of the development and implementation of CSR in each bank were identified. In a study, the selection of respondents is of utmost importance, since the research can turn out to be invalid if the wrong person is interviewed (Miles and Huberman, 1994). Therefore, efforts were made to make sure that the most appropriate people to speak to within the banks were met. This was done by forming a purposive sample of the decision makers. According to Saunders et al. (2007), this form of sampling is often used when working with small samples, and when the researcher wishes to select cases that are particularly informative. Two different strategies were used to identify potential interview participants to form a purposive sample: banks' annual reports and networks. Most of the banks' annual reports showed the management team; the researcher accordingly identified the managers who possibly – from their title – could be in charge of CSR. Then, the researcher confirmed the information by calling each bank. After that, the networking strategy was used most of the time, as the researcher works in the same industry and knows many of the senior management in Kuwaiti banks, who also helped in leading to the managers in

charge. The below table shows the titles of managers in charge of CSR in each bank.

Bank	Person in charge
National Bank of Kuwait (NBK)	Public Relations Manager
Burgan Bank	Assistant General Manager - Corporate Communication
Ahli Bank of Kuwait (ABK)	General Manager- Marketing
Kuwait Finance House (KFH)	Head - Group Strategy, Marketing & PR
Ahli United Bank (AUB)	Chief Retail Banking Officer
Gulf Bank of Kuwait (GBK)	Head of External Communications
Kuwait International Bank (KIB)	Head of PR Marketing and Business Development
Boubyan Bank	Head of Public Relations
Commercial Bank of Kuwait (CBK)	Head of Public Relations

**Table 3.3: Decision makers in Kuwaiti banks**

As can be seen from Table 3.3, above, mostly it is the public relations department that is in charge of CSR in the Kuwaiti banks. All the above managers were contacted through a formal letter (see Appendix 1) followed by emails and phone calls. Decision makers were interviewed in order to answer the following research question:

**How do Kuwaiti banks understand and practically implement CSR? What is the impact of the 2008 financial crisis and Islam on CSR conceptualizations and practices?**

Various questions were addressed to the interviewees (see Appendix 2) in an attempt to explore how the decision makers personally define CSR and how it is defined in their banks since they are in charge of creating the right definition of CSR for the bank. Questions were also asked to understand CSR practices in each bank by asking each interviewee to walk through the evolution of integration of more responsible practices into their banks and sharing details of their CSR strategies and activities. Moreover, the interviews aim also to find out the effect of the 2008 global financial crisis and Islam on CSR conceptualizations and practice.

(b) Selection of employees

Ten employees were selected to be interviewed and snowball sampling was used as a method to reach the interviewees. Snowball sampling is explained by Coleman (1958:32): “One method of interviewing a man’s immediate social environment is to use the sociometric questions in the interview for sampling purposes”. Thompson (2002:138) describes snowball sampling as:

*“... a few identified members of a rare population are asked to identify other members of the population, those so identified are asked to identify others, and so, for the purpose of obtaining a non-probability sample or for constructing a frame from which to sample”.*

The researcher followed this definition and approached three respondents from the same bank she works in and considered those three as the first wave of employee interviews, then she asked those participants to name people they knew from other banks and would be interested in participating in an interview. Each respondent provided a list of names and the researcher started to approach them accordingly. Bryman and Bell (2003) stress that snowball is in no sense random, because there is no way of knowing the precise extent of the population from which it would have to be drawn. Hence, it is very unlikely that the sample will be representative of the population. Yet, they agree that snowball sampling is appropriate to be used in qualitative research because the concerns of validity and generalisability “do not loom as large within qualitative research strategy as they do in quantitative research strategy” (Bryman and Bell, 2003:200). Moreover, Coleman (1958) argues that snowball sampling is a better approach than conventional probability sampling when the researcher needs to focus upon or reflect relationships between people. To ensure better reliability, the researcher had to select candidates from different banks, different job levels, and to have both male and female represented to enrich the gathered data and cover different views and opinions. Having respondents from different banks will help in understanding their perception of the application of CSR in their banks, the level of engagement in CSR activities, and the effect of these activities on their employment decisions. Furthermore, having different job levels will indicate the level of CSR communication and will show if it is communicated across the entire bank. It was also important to the researcher to include as many junior employees as possible, to investigate whether CSR

application in their bank affected their decision to join the bank and made it an employer of choice, since senior executives may have joined the bank before the inception of CSR. The interviews of the employees of the banks aim to answer the following research question:

**How do the employees of Kuwaiti banks understand CSR and how does it feature in their employment decisions and attitudes towards their employers? What is the impact of the 2008 financial crisis and Islam on their understanding and perceptions?**

The questions addressed in the interview guide (see Appendix 3) aim to investigate whether the term CSR is understood, and whether the bank's definition of CSR is known. Furthermore, a number of questions were addressed to explore the effect of CSR on the employee's perception of the bank, the level of employees' engagement in CSR activities, and the impact of the 2008 financial crisis and Islam on their understanding and perceptions.

The sample selected consisted of ten employees from eight banks and comprised of seven males and three females. The distribution of employees per job level was: five junior employees, three middle management, and two senior executives.

(c) Selection of customers

Snowball sampling was also used in customer selections, where 15 respondents were selected. The researcher tried to ensure that the sample reflected the Kuwaiti bankable population by ensuring that the male/female distribution was close to their distribution in the population. According to a study conducted by Burgan Bank in 2012, the bankable population in Kuwait is estimated to be 1.9 million, from which males represent 40% of the population and women 60%. In the sample selected, males represented 34% of the sample and females represented 66%, which is very close to their representation in the quoted study. Moreover, the researcher also ensured that the sample reflected the market share of each bank. In the same study conducted by Burgan Bank, it appeared that NBK dominates the market share by 60%, and in the sample selected, the representation of NBK customers was 46%. Due to the size of the sample, the researcher ensured also that the other banks were covered as



much as possible. In terms of age, the researcher had also to ensure that all age groups were covered, as she believes that the opinion of CSR and expectations of customers will differ with age.

This third set of interviews aims to answer the third and last research question which is:

**How do customers of the Kuwaiti banks understand CSR and use it in their banking decisions? What is the impact of the 2008 financial crisis and Islam on their understanding and decision-making?**

Various questions were raised (see Appendix 4) to test the level of understanding of what CSR means and the awareness level of the customers' preferred bank's CSR. Moreover, questions were addressed to better understand the level of engagement of customers in CSR activities performed by their bank, as well as to investigate the elements that make customers have a good perception of their bank and whether CSR is one of those important elements that could affect their banking decisions. Furthermore, the impact of the 2008 global financial crisis and Islam on customers' perception and understanding was investigated.

### **3.6 Research limitations**

This section outlines the possible limitations of the research that could affect the quality of the study, along with the actions taken to overcome each limitation:

**Hesitancy in disclosure:** Since the researcher works in the same industry as the interviewed decision makers and employees; and heads the marketing department (which has close relationships with corporate social responsibility activities) in one of the banks under study, interviewees may have regarded the researcher as a competitor. Hence, they may hesitate in disclosing information or might not be open. This has been overcome by interviewing a considerable number of decision makers and employees to minimise bias and also by interviewing other stakeholders to understand the impact of CSR practices on them.

**Bias:** One concern could be that the researcher could become biased by her previous knowledge and exercise of the subject; this was tackled through the extensive literature review to develop a familiarity with the CSR issues and main theories, as well as previous similar studies.

Also in terms of bias, the responses obtained from decision makers in charge of the CSR programmes could be seen as biased due to their stake in the programme or for other reasons. To overcome this limitation, the researcher relied on two different data collection methods, interviews and document analysis to reach a better understanding of the phenomena. Also, interviewing different stakeholders (decision makers, employees, and customers) helped in reducing the impact of possible bias. Moreover, some decision makers refused to participate in the study. To minimise the effect of their absence, the researcher ensured that employees from those banks were represented in the second set of interviews, to get an insight from them into how CSR is depicted in their banks. Furthermore, documents of these banks were analysed thoroughly to compensate for the absence of decision makers.

**Transparency:** Qualitative research is sometimes criticised as lacking transparency (Bryman and Bell, 2003) because it is sometimes difficult to establish what the researcher actually did, how the sample was chosen, and how conclusions were derived. To ensure clarity, the researcher outlined in detail the techniques followed to choose the sample, as well as provided a clear description of the research process.

**Interview limitations:** One of the weaknesses of interviews as a source of evidence, mentioned by Yin (2003), was inaccuracies due to poor recall. The researcher ensured that all interviews were tape-recorded and transcribed immediately on different devices. This allowed for correction of the natural limitation of a researcher's memory and allowed for repeated examinations of the interviewees' answers. Another limitation of interviews is that they can be time-intensive because of the time it takes to conduct interviews, transcribe them, and analyse the results. Care was taken to include time for transcription and analysis of this detailed data.

**Document analysis concerns:** Although documents deriving from companies are likely to be authentic and meaningful, people who write organisational documents, such as managers, are likely to have a particular point of view that they want to get across (Bryman and Bell, 2003) which makes organisational documents come from the particular view of the writers. This barrier was overcome through the careful selection of official documents from each bank. Specifically, the documents analysed included reports and documents likely to be approved and reviewed regularly, especially as the industry selected is very regulated. The researcher tried to minimise the inconsistencies that could arise from the biases of individual writers by using and analysing different sources and documents, and also having document analysis as a secondary source of evidence to complement the interviews, without taking it as the sole data collection method.

**Snowball sampling:** Snowball sampling which was used in selecting respondents of the second and third set of interviews (employees and customers) is criticised as not representing the population. However, concerns about the ability to generalise do not appear as significant within qualitative research as they do in quantitative research, and the orientation to sampling in qualitative research is to be guided by a preference for theoretical sampling than with statistical sampling (Bryman and Bell, 2003). Theoretical sampling aims to collect data for generating theory, whereby the researcher decides what data to collect next and where to find such, in order to develop the theory as it emerges (Glaser and Strauss, 1967).

### **3.7 Reliability and validity**

Reliability can be explained as the extent to which a measure can be generalised to other measures, while validity can be understood as concerned with measuring that which is intended (Warwick, 1973; Baker, 2002; Silverman, 2001). In qualitative research, reliability is improved by recording the events as soon as possible after the event, carefully transcribing interviews using accepted transcription protocols, and presenting long extracts of data in the write-up, which acts to give readers improved access to raw data (Silverman, 2001). Each of which has been employed in this research. On the other hand, validity can be improved within qualitative research by accurate recording of the

events, the use of multiple methods and through a systematic analysis of the resulting data (Silverman, 2001; Warwick, 1973). All of the interviews conducted were digitally recorded in full, except two customer interviews due to a technical problem. Also, notes were taken during the interviews to improve the ability to observe what was going on around the researcher and reflect later on, to improve reliability and validity, and most importantly, form a critical part of the interpretive process (Van Maanen, 1979). Moreover, document analysis was used as a secondary method to improve validity, the researcher only relied on formal documents that had been approved and published by the banks, such as annual reports and press releases. Moreover, reliability and validity was also enhanced through the inclusion of all of the banks in Kuwait and involvement of different stakeholders.

### **3.8 Data analysis**

Data analysis is a process by which raw data is broken down, reorganised and categorised, and interpretation relies on the insight and imagination of the researcher in identifying what this re-organisation and re-constitution means (Langley, 1999; Spiggle, 1994; Mintzberg, 1979). Within interpretive research, the process of building on good theory is typically based on the iterative process of moving back and forth from data to theoretical concepts (Langley, 1999; Gerson and Horowitz, 2002), which is further shaped through the writing process (Van Maanen, 1995). In this research, interview data and data obtained from documents were analysed separately because they provided different perspectives on the research objectives. The interviews provided data that resulted in relatively thick accounts of CSR development and implementation within Kuwaiti banks. The document analysis data, on the other hand, identified the CSR principles, processes, stakeholders' issues as well as how religious CSR causes are legitimised. Thus, providing data on activities and approaches of CSR which has enabled the researcher to understand why CSR in the banking sector is shaped the way It is.

#### **3.8.1 Analysis of interviews**

Interviews were analysed through the use of thematic analysis, which is defined by Boyatziz (1998) as a widely used qualitative analytic method for identifying, analysing, and reporting patterns (themes) within data. Thematic analysis

minimally organises and describes data sets in (rich) detail. However, it often goes further than this, and interprets various aspects of the research topic (Boyatzis, 1998). King and Horrocks (2010:150) define thematic analysis as:

*“... recurrent and distinctive features of participants’ accounts, characterising particular perceptions and/or experiences, which the researcher sees as relevant to the research questions”.*

King and Horrocks (2010) also stress that thematic analysis is concerned with saying something about the group of participants as a whole, which means that the researcher needs to look at patterns of themes across the full data set, and highlight what interviewees have in common, as well as how they differ. Rubin and Rubin (1995: 226) claim that thematic analysis is exciting because “you discover themes and concepts embedded throughout your interviews”.

Since this research used an inductive approach, the identified themes were strongly linked to the data themselves (Patton, 2002). Hence, the identified themes have little relationship to the specific questions that were asked of the participants, and were not driven by the researcher’s theoretical interest in the area or topic. Hence, the process of coding the data was done without trying to fit it into a pre-existing coding frame. In this sense, this form of thematic analysis is data driven (Braun and Clarke, 2006).

The researcher followed the three steps suggested by King and Horrocks (2010) to do the thematic analysis which are:

1. Descriptive coding: at this stage, the researcher identified the parts of the transcripts likely to be helpful in addressing the research questions, as well as highlighting anything that might help in understanding the interviewees’ views and opinions. Preliminary comments were written which were then used to define codes.
2. Interpretative coding: at this stage, the researcher tried to focus more on interpreting meanings of the codes by grouping codes that shared common meanings.
3. Defining overarching themes: the researcher identified a number of overarching themes that characterised key concepts in the analysis.

### **3.8.2 Analysis of documents**

Documents were analysed using qualitative content analysis which is the most predominant approach to the qualitative analysis of documents, although in business and management it remains less frequently used than quantitative content analysis (Insch et al., 1997). Qualitative content analysis involves searching out underlying themes in the materials being analysed (Bryman and Bell, 2003). The coding scheme used was developed by modifying two existing conceptualisations proposed by Maignan and Ralston (2002) and Leewen and Wodak (2009). A statistical analysis of frequencies was performed to explore the differences and similarities among banks. Also, the statistical analysis of frequency helped in showing differences between conventional and Islamic banks in terms of type of CSR activities. This frequency count revealed whether each bank considered each of the dimensions mentioned in Table 3.3 or not. If the dimension existed in the bank, a mark highlighted its presence, and then the frequency was calculated to show the presence of each dimension in the banking sector. Since the total number of the banks is nine, nine would denote that the dimension exists in all banks, while zero would denote that the dimension does not exist in any of the banks.

Because the data was mainly based on the banks' perspective, and due to the absence of reference to that of wider stakeholders, the discussion has an emphasis more on the instrumental view of CSR when analysing the data. As discussed in the literature review, this instrumentalist view justifies socially responsible behaviours solely on economic grounds and profit maximization (Garriga and Mele, 2004)

## **Chapter 4: Data analysis and findings**

The previous chapter explained and justified the methodology of this study. This chapter will start by providing an overview of Kuwait as a country, then, the empirical data will be analysed, and the findings generated from the interviews, and the documents will be presented.

### **4.1 Kuwait and CSR**

Since this research covers an examination of CSR practices in banks operating in Kuwait, the researcher believes that it is important to shed light on Kuwait as a country, its culture, and its social formation, to better understand the notion of CSR in Kuwait and the way it is presented.

#### **4.1.1 History of Kuwait**

In his book, *The Modern History of Kuwait*, the author Ahmad Mustafa Abu-Hakima (1983) stresses that the location of Kuwait, at the head of the Arabian Gulf, made the country an important player in the trade routes between the West and the East. In the early seventeenth century, the Utub, the ancestors of many of today's Kuwaiti families, arrived in the area and founded a settlement of traders. This trading settlement elected Sabah bin Jaber as the first Sheikh. In the nineteenth century, the Sabah consolidated their position as the ruling clan when the method of succession changed. Instead of being elected by the merchants, the head of the Sabah was selected by the family, where this person becomes the Amir.

In 1896, Sheikh Mubarak the Great, who is considered to be the founder of modern Kuwait, rose to power. He was concerned with foreign policy, as his small trading town came under continual threat from outsiders, mainly the Ottomans. On the 23<sup>rd</sup> of January 1899, Sheikh Mubarak and the British Government signed an agreement under which the British Government would provide a measure of protection, provided that Mubarak did not receive a representative of any country without the consent of the British, nor could any Kuwaiti territory be sold to any foreign national or government without their consent. On 19 June 1961, Kuwait

became independent and saw the end of the British protectorate. (Abu-Hakima, 1983).

After independence, the process of turning Kuwait into a modern welfare continued unabated. By 1965, education was made compulsory for Kuwaiti children through to age 14. A preschool programme followed, as did a national university system. As for the economic development, the Kuwait National Petroleum Company (KNPC) was launched to facilitate involvement in all aspects of the oil industry, inside and outside the country (Casey, 2007).

On 2 August 1990, Iraqi forces invaded Kuwait. The Amir of Kuwait, Sheikh Jaber Al Sabah and his government fled to Saudi Arabia. During the Iraqi occupation, about 1,000 Kuwaiti civilians were killed and more than 300,000 residents fled the country. After a series of failed diplomatic negotiations and Iraq's failure to comply with a UN resolution ordering it to pull out, a US-led aerial bombing campaign began in Kuwait and Iraq in January 1991. The United States-led coalition of thirty-four nations fought the Gulf War to remove Iraqi forces from Kuwait. On 26 February 1991, the coalition succeeded in driving out Iraqi forces. As they retreated, Iraqi forces carried out a scorched earth policy by setting on fire or damaging 737 Kuwaiti oil wells (Cordesman, 2003). Kuwait was able to commence crude oil production in 1992, though at reduced levels compared with before the invasion. However, in 1993, the production level started to go up steadily until it was set to two million barrels per day. Accordingly, the country's economy showed a growth rate of 35%. Furthermore, during the era of reconstruction, Kuwait rewarded those nations that supported it through liberation. For example, in 1993 Kuwait stopped complying with several aspects of the long-standing Arab boycott of the state of Israel, which further increased Kuwaiti business with US firms that had previously worked with Israel. Conversely, Kuwait did what it could to punish countries that supported Iraq including Cuba, Jordan, Sudan, Yemen, and the Palestinian authority by withholding economic aid that in the past had been given freely (Casey, 2007).

On 29<sup>th</sup> of January 2006, Sheikh Sabah was sworn in as the Amir of Kuwait after the death of Amir Sheikh Jaber Al Sabah. Sheikh Sabah is known for introducing many new projects in Kuwait to increase the tourism industry. He is also a strong



advocate for women's rights, three women MPs won seats in the parliamentary elections of 2009 for the first time, and women were finally able to obtain passports without the consent of their husbands (Hagagy, 2012).

#### **4.1.2 Economy of Kuwait**

Kuwait has a relatively open economy with crude oil reserves equal to approximately 10 percent of world reserves (Central Bank of Kuwait, 2009). Oil production accounts for around half of the GDP, 90 percent of export revenues and 80 percent of government income (Central Bank of Kuwait, 2009). In recent years, Kuwait's economy has grown rapidly due to increased oil production and high export oil prices (Central Bank of Kuwait, 2008). During the last decade, the Kuwaiti government initiated several extensive improvements at the Kuwait Stock Exchange (KSE) to encourage domestic savings and attract foreign capital investment. These measures included privatisation of state corporations through the stock exchange and relaxation of restrictions on foreign ownership, allowing up to 49 percent of foreign ownership since 2000, tax free (Al- Shammari and Al-Sultan, 2010). In response, trading at the KSE increased exponentially, making the KSE the largest market in the Arab world after Saudi Arabia, in total market capitalisation (Central Bank of Kuwait, 2009).

The emergence of the global financial crisis in 2008 had a substantial impact on Kuwait, the degree of which materialized noticeably when the GDB declined by 2.7%. This was due to the decrease in oil sector contribution to the real gross domestic product. Internal and external budgets also recorded substantial decline (Central Bank of Kuwait, 2009).

#### **4.1.3 Society of Kuwait**

In 2005, the latest year for which official figures are available, Kuwait's population stood at over 2.3 million, of which 1.3 million do not hold Kuwaiti citizenship. During the reconstruction, laws were passed to prevent an overreliance on foreign labour, but the measure was ineffective and the country still relies on them, especially in low wage and low skill jobs, which Kuwaitis do not accept doing (Casey, 2007). This is also applicable to all GCC countries, as the strong economy

of these countries has led to opportunities that have attracted a large inflow of expatriates to the region.

According to Abu-Hakimah (1983), Kuwaitis take pride in their hospitality, and are always eager to bring visitors into their homes. Hospitality in Kuwait is often represented through the serving of tea and coffee. It is very uncommon for a guest to enter a house, office, or even some stores without being offered tea or coffee. In Kuwaiti custom, a guest's refusal of tea, coffee, or such offerings is sometimes viewed as insulting by the host, as it is as if the guest is denying the host's efforts of being hospitable and generous (Abu-Hakimah, 1983). A well-known symbol of Kuwaiti Hospitality is the "Diwaniyah" which existed in Kuwait since time immemorial. In the old city of Kuwait, it was the reception area where a man received his business colleagues and male guests. Today the term refers both to a reception hall and the gathering held in it, and visiting or hosting a "Diwaniya" is an indispensable feature of a Kuwaiti man's social life. The "Diwaniya" became a fundamental part of any Kuwaiti house. Hence, it has become a mark in their traditional daily life.

The Global Leadership and Organisational Behavior Effectiveness project (GLOBE) is an ongoing ambitious study of culture and leadership across global cultures. Kuwait is one of the participating societies, and the survey has revealed that the society in Kuwait values cohesiveness, loyalty, and pride in their families and organisations (House et al, 2004). Hence, cooperation, unity, and support between society members is rooted in their social values.

#### **4.1.4 Religion**

Almost all of Kuwait's citizens follow the religion of Islam. While many non-citizens within Kuwait are also Muslims, those from other areas such as South Asia, generally bring with them a host of other religious beliefs. Although Kuwait does not engage in the kinds of aggressive measures that other Muslim nations do to limit the exercise of faiths other than Islam, Kuwait is still home to very few Christians or Jews. This is supported by the constitution which states that freedom of belief is absolute and that the state protects the freedom of practicing religion in accordance with established customs. Accordingly, several Christian Churches

exist in Kuwait and the Catholic Church has a resident bishop (Casey, 2007). Since one of the objectives of this thesis is to explore Islam's effect on the way CSR is practiced, the relationship between Islam and CSR will be explored thoroughly in a separate section.

#### **4.1.5 CSR in Kuwait**

Kuwaiti society is cooperative in nature, and has gained this attribute from labour relations and a production era that prevailed before the age of oil, this era was based primarily on travel and maritime trade, where men left their homes and families for months, in the care of other relatives, acquaintances and neighbours, until their return (Al-Rushaid, 1978). Kuwaiti's passion towards community service can also be seen in past events such as the plague year in 1831, which killed people of Kuwait and left a lot suffering disability and despair and many families had to bury their dead in their homes. Without solidarity and cooperation in the suffering, the people of Kuwait would have left the country.

The first social work and volunteer organisation in Kuwait started when the first societal charity was founded in 1913 by Farhan Al-Khalid (Al-Rushaid, 1978). After that, and during the flow of oil revenues, Kuwait began its first steps towards the introduction of a social service and care. This happened specifically in December 1954 when Amir Sheikh Abdullah Al Salem decided to establish the Department of Social Affairs, which was in charge of providing social welfare for all citizens, and providing social services to those who request it and specifically those with special needs (Abu-Hakimah, 1983). Furthermore, Kuwait has shown its commitment, as a country, to social responsibility through the establishment of the Kuwait Fund for Arab Economic Development in 1961, with the aim of giving Arab countries necessary loans for the implementation of development programmes. The Kuwait Fund for Arab Economic Development also contributes to helping other developing countries to finance development projects (Abu-Hakimah, 1983).

With the emergence of corporate social responsibility at a global level, the term started to grow at a local level from around 2004 and a strong interest in this role began to emerge from local institutions and companies. Now, and after ten years of the depiction of CSR in Kuwait, many organisations have been acknowledged

locally and internationally for their CSR initiatives. Moreover, the attention to social responsibility became evident through the launch of the “Kuwait Conference for Social Responsibility”, which was held in December 2004 for the first time – many international companies showed their interest in participating in this event. This conference was hailed a success and was organised three times in the country, due to increased demand and attention towards the role companies play in the field of social responsibility (Al-Rumaihi, 2010).

One can say that the topic of CSR in Kuwait and also in other GCC countries has quickly become a topic of great interest among business leaders and government officials. However, its current practices differ from Western practices, as corporates in the GCC have primarily done this through corporate philanthropy and not through integrating CSR into corporate strategies and managerial practices (Ronnegard, 2009). This claim will be investigated in the research by looking at the depiction of CSR in the banking sector in Kuwait, which is a major country in the GCC region. As the researcher explained earlier, all GCC countries have the same social, cultural, and economic characteristic, which makes generalising of findings in this research applicable.

## **4.2 Findings of research**

This section will present the findings of research based on the analysis of the data generated from the interviews with: decision makers in charge of CSR, employees working in the Kuwaiti banks, and customers of these banks as well as the analysis of the documents of the banks. The findings will be presented from the perspective of the stakeholders included in this study.

### **4.2.1 Banks’ perspective of CSR**

This sub-section will discuss the findings based on bank’s perspective and as a result of interviewing the decision makers in charge of CSR in addition to analysing the documents of the banks. Six themes were identified to help in addressing the first research question: CSR understanding and definition, CSR conceptualization and practices in the Kuwaiti banks, banks and their stakeholders, financial crisis and CSR, Islam and CSR, and banks’ opinion on ways of improving CSR policy and practice. As mentioned in the previous chapter,

all Kuwaiti banks were approached via formal letters sent to CSR decision makers; these were followed by emails and phone calls. Six out of the nine banks agreed to participate and three banks declined participation, of which two officially declined and one did not respond to any of the follow up calls or emails, hence it was decided to exclude it (see table 4.1). The banks that declined were both conventional banks and compete with the bank the researcher works in. The researcher felt that the request was declined due to competition reasons and their reluctance to provide information that could benefit her bank. The researcher was careful to fully utilise the available documents related to these three banks to compensate for the absence of these decision makers in the interviews. It was also important to ensure that employees from these banks were included in the second set of interviews which targeted the employees of the Kuwaiti banks.

Bank	Participation
National Bank of Kuwait (NBK)	Yes
Burgan Bank	Yes
Ahli Bank of Kuwait (ABK)	Yes
Kuwait Finance House (KFH)	Yes
Ahli United Bank (AUB)	Yes
Gulf Bank of Kuwait (GBK)	No
Kuwait International Bank (KIB)	Yes
Boubyan Bank	No
Commercial Bank of Kuwait (CBK)	No

**Table 4.1: Participating decision makers**

#### **4.2.1.1 CSR understanding and definition**

This issue was addressed in the interview with the decision makers to see what CSR means to them personally, as well as to learn whether each bank has a clear definition of what CSR means. Almost all interviewees mentioned that CSR is about “*giving back to society*” by using different words but with the same explanation. The manager in AUB said it is about “*serving the community*”, while NBK’s manager said:

*“It is all about contribution of corporates towards the society and supporting members of the society. It is a social obligation that a*

*corporation has to pay. Social responsibility also includes supporting own people such as your employees.”*

KIB's representative defined CSR as *“the commitment to community services and also it is about reinforcing citizenship”*. *“CSR is a sustainable measurable project with an ROI for both society and the sponsor”* was how the decision maker from KFH defined it, and finally *“giving back to the community”* was mentioned twice by decision makers in Burgan Bank and ABK.

It is worth mentioning that the researcher observed a great belief by decision makers that CSR is no longer an option, rather, it is a social obligation. Many of the interviewees mentioned the following words while responding to the questions: *“must, necessary, obligation, pillar of our strategy”*, which demonstrates their belief in CSR. KFH representative said:

*“I think the term has changed in the last ten years, before it used to be a choice if an organisation has extra money. Recently it is becoming an obligation”*.

Also, many respondents mentioned that there is a better understanding by the community now of what CSR means, in contrast to previous years.

When it comes to what corporate social responsibility means in their organization, four banks provided the researcher with a clear definition and description, while two decision makers stated that they do not have an agreed definition that they clearly communicate to stakeholders.

The four definitions provided are as follows:

*“It is the strong conviction in the necessity of the intercommunication with all groups in society through assuming our social distinct role, thereby imagining the magnitude of the role we assume as one of the most highbred economic institution in Kuwait.”* (AUB)

*“It is the promise the executive management team are taking to improve and grow community. It is a very strong pillar of corporate governance and is no longer a charity service.”* (Burgan Bank)

*“The added economic or social values that can be given to the society by all resources of the organisation be it labour or the actual business to business or even voluntary work.”* (KFH)

*“It’s the bank commitment toward the community and our contribution to the various philanthropic, social, educational, sports, job creation and environmental fields. This has been always an integral part of our culture as well as our strategic vision which states that we endeavour to benefit the communities in which we operate”. (NBK)*

The researcher noticed that the two banks - ABK and KIB- that did not have a clear definition of CSR are the banks that regard CSR as a channel for donation, charity, and philanthropic support only.

The findings related to CSR definition in the Kuwaiti banks confirm that discussed in Chapter 2 – that there is still no universal understanding about how the term should be defined (Dahlsrud, 2006; Lantos, 2001; Sasse and Trahan, 2007).

When asked about the age of CSR in the Kuwaiti banks, the majority stressed that social activities had been carried out since the inception of the bank, but with different scope and names, however it started to be seen as visible CSR almost eight years ago. As the interviewee from NBK mentioned:

*“Since its inception, NBK was known for its devotion to voluntary work, which played a critical role in the success of our community. However, the term CSR was first used in 2006 when we issued our first annual report. Before that we used to call it community services.”*

KFH decision maker mentioned:

*“For a long time, this is probably since inception because there has been a committee that serves the community, this was established many years ago, and it has developed into two segments: an official charity and the other is the sponsorship community and what we do in marketing and public relations. So basically, at the start-up it was more of a charitable initiative where Zakat was paid as well as other means of donations. Slowly the term evolved until in 2007 when the term CSR was introduced.”*

The interviewee from Burgan Bank mentioned:

*“Since inception in 1977, Burgan Bank has been involved in CSR with different names of course, the participation in CSR has increased and became clear in 2007 with the whole brand evolution project that aimed to transform the bank from an organisational centric bank to a customer centric bank, only then, CSR became part of the corporate strategy that*

*we cannot neglect anymore. This is on a board level and not only on an executive management level. That's why in all CSR reports you will see that the main letter is by the chairman and not the CEO."*

The representative from Kuwait International Bank (KIB), which transformed into an Islamic bank in 2010, mentioned that the bank was involved in CSR when it evolved into an Islamic bank. By looking at the interviewees' responses, one can say that the term was first introduced in 2006 by NBK and then other banks followed between the years 2007 to 2010. It is worth mentioning that the banking sector was the first private sector in Kuwait to introduce CSR and then other sectors, such as oil, telecommunications, and construction, followed.

#### **4.2.1.2 CSR conceptualization and practices in the Kuwaiti banks**

This theme is covered in both the interviews and document analysis with an aim to better understand CSR implementation in the banking sector, the current approaches and practices of CSR, and the motives that drives banks in Kuwait to exercise CSR.

#### **CSR implementation**

The decision makers were asked when interviewed to discuss the evolution of integration of more responsible practices in their banks, the interviewees again stressed that CSR was first practiced between the years 2006 and 2007, but many mentioned that at that time there was no dedicated entity to take care of social activities. Two interviewees said that they used to call it "community services" and that only in 2007 did the term CSR become common. The interviewee from AUB talked about how CSR evolved in the bank saying:

*"We were calling these activities community services. These services were taken care of by the public relation department in 2005, but when the scope was broadened to include employees as part of our community services to society, by offering more job opportunities to Kuwaiti graduates, the bank aligned its community services with the corporate mission and vision in 2007 when CSR became embedded in the culture and policy of the bank."*

It is also worth mentioning that one of the Islamic banks in Kuwait, KFH, was the first organisation in the Middle East to introduce a GRI standard report in 2010.



The Global Reporting Initiative (GRI) is a non-profit organisation that works towards a sustainable global economy by providing sustainability reporting guidance ([www.globalreporting.org](http://www.globalreporting.org)). GRI has developed a comprehensive Sustainability Reporting Framework that is widely used around the world. The framework enables organisations to measure and report their economic, environmental, social and governance performance – the four key areas of sustainability.

The representative from NBK (considered to be the largest bank in Kuwait), stressed that despite the evolution of CSR in the bank, there are certain activities that have kept going for more than seventeen years, even before the introduction of CSR, such as Ramadan initiatives, where the bank distributes daily free “Iftar” banquets – these are the evening meals when Muslims break their fast during the Islamic holy month of Ramadan – at NBK’s tent held near the Grand Mosque as part of NBK’s “Do Good Deeds in the Holy Month of Ramadan” campaign.

All banks agreed that their CSR is strategic, except KIB, which recently transformed from a conventional bank to an Islamic bank. In terms of financial performance, this bank has not been doing very well since it was transformed, this could be a possible reason that they are not looking at CSR seriously. As the interviewee declared, they only have “*offshoot philanthropic projects which are not sustainable*”. All except this bank agreed that their CSR has direct alignment with their values and that it has been always part of their strategic plans. Burgan Bank’s decision maker mentioned:

*“...our values are universally human values so we do believe that it has to be aligned with it. It has also a direct correlation with our mission statement of what we want to achieve.”*

It is interesting that some of the interviewees mentioned having CSR within their corporate strategy because of their belief that it contributes to the wellness of the business. This was referred to as “Strategic CSR” by Carrol (2001:200) which is when CSR is done to accomplish strategic business goals. Quester and Thompson (2001) also agree that CSR is strategic when corporations “give back” to their constituencies because they believe it to be in their best financial interests.

The interviewees were asked to explain how they derive their CSR strategy, to explore how banks in Kuwait select their CSR initiatives, learn more about who is involved in the formulation of CSR strategy, and understand who the decision makers are. The interviewee from Burgan Bank stated that after defining the target audience internally and externally, they identify the areas that they would like to focus on, and that they like to focus on a maximum of three areas that they try to own from a territorial perspective within Kuwait:

*“Our focus is education, special needs, and environment. And we managed to really own these three areas, especially the special needs which is our competitive advantage”.*

NBK's bank representative said that the strategy directions are given by the chairman, as well as from the vision and mission of the bank. It is interesting to see that three of the banks mentioned that the chairman of the board is the sponsor of CSR in these banks: *“it starts with the chairman's directions; this is how the initial strategy begins with a focus onto streams of work”*. The interviewee from Burgan Bank mentioned, *“CSR is given great importance that's why you see it sponsored by the chairman of the board”*. Moreover, NBK was the only bank that has a committee called the “community committee”, chaired by the vice chairman, and that reviews the CSR strategy on an annual basis to ensure that the strategy is meeting upcoming social needs and issues.

The decision makers were asked about the challenges with regard to CSR, and it was found that these challenges differ from one bank to another and little agreement was found regarding challenges about CSR in the banking sector in Kuwait. The interviewee from ABK mentioned that the major challenge in Kuwait is that people tend to associate each bank with certain families that own the banks. Hence, they automatically expect banks to invest in certain projects associated with specific ethnic groups. Such projects may not be aligned with CSR strategy but *“they would expect you to invest although these projects do not serve the bank or the community”* she explained. The researcher agrees with the interviewee's point of view, as she has witnessed similar CSR sponsorships in her bank for activities that are not really related to the CSR strategy, but were sponsored due to instructions from the owners of the bank, in order to benefit a family member, a specific ethnic group, or community.

Another important note raised by two interviewees was the weak monitoring of results: *“as a bank that invests heavily in CSR, there should be a stronger monitoring of results”*. The decision maker from Burgan bank mentioned that a challenge is the fierce competition from other banks which sometimes makes banks take CSR from an exposure and PR, rather than sustainability, perspective. He stressed that:

*“In all discussions we had with the banks during our regular meetings in the Kuwait Banking Association, we suggested organising our efforts to see who is strong in a certain territory and we focus on it to ensure we are not duplicating efforts.”*

A very interesting challenge was raised by two interviewees, who believed that having a variety of definitions to CSR is a challenge:

*“...we do not have a coherent definition of CSR, some people see it as volunteer work, some people see it as giving money, and some people see it as giving time.”*

While the other mentioned that: *“people do not know what CSR really is”*. Other challenges were mentioned, such as difficulty in promoting educational programmes because *“they do not touch the heart as much as health awareness programmes”*, and lack of awareness of environmental issues, which makes it difficult to communicate to the public.

In terms of the position of CSR department in the Kuwaiti banks, it was seen that CSR activities came under the Public Relations Department, which fall under Corporate Communication or Corporate Marketing. There were no dedicated departments called CSR departments and there were no CSR managers in any of the banks. However, and as the manager in Burgan Bank mentioned:

*“...the reason why the corporate communication department is basically handling CSR is because they align all external communications with the external public, be it customers or regulatory or the community at large. Plus, it is the department that is also responsible for communicating with the investors and the shareholders, so you need a kind of alignment of messages be it CSR or other communications in general. I believe this is the proper position of the CSR department.”*

This is in line with what Jacquie L'Etang and Magda Pieczka (2006:414) state in their book *Public Relations: Critical Debates and Contemporary Practice*, that:

*“Corporate social responsibility is often managed by public relations practitioners for public relations ends, and therefore corporate social responsibility is seen as part of the public relations portfolio and as a technique to establish relations with particular groups and to enhance reputation with key stakeholders.”*

Hence, in terms of where to position CSR activities in the organisational structure, Kuwaiti banks are similar to cases in any part of the world. Furthermore, in all of the banks interviewed, Corporate Communication and Corporate Marketing report directly to the CEO, which makes decision making smoother and faster and will definitely mean direct involvement in corporate strategy.

With regard to responding to changes in social and political circumstances, and for the researcher to better explain it to the interviewees, an example was raised of a recent scandal that hit Kuwaiti banks – known as the “multi-million deposit scam” – and interviewees were asked how they reacted to it. This scam occurred in Kuwait in September 2011 when the public prosecutor opened a probe into the bank accounts of about 14 MPs in the 50-member parliament on allegations of receiving a total of \$350 million in “political” bribes from the Prime Minister. Banks in Kuwait were affected as they were accused of not referring suspicious cases to the public prosecution for legal action until one of the Kuwaiti newspapers revealed this scam. One of the managers claimed:

*“...in this scandal, we quickly declared that we referred the inflated accounts to the public prosecutor who referred the accounts to the Central Bank to freeze them until the completion of the investigation. Here our reaction was fast and quick and we ensured engaging the media in every step.”*

In contrast, an interviewee working in one of the banks that did not declare the accounts inflation mentioned, *“the secrecy of the information of our clients made us take a decision not to disclose our actions to the media”*. An interviewee representing a bank that was not involved in this scandal said:

*“This accusation has affected the Kuwaiti banks’ reliability and integrity. And I don’t think that the banks have reacted to this scandal in a proper manner to maintain their reputation.”*

In terms of how such a crisis needed to be handled, she mentioned:

*“... we need to have reputation management and crisis communication and damage controls in place to deal with any crisis that appears and would affect the bank’s reputation.”*

Another interviewee highlighted the importance of identifying changes by undertaking research, statistics and surveys that will help to give a better picture of the status and then respond according to the needs created by the political or social circumstances. An interviewee stated that in such cases they increase their CSR activities to show people and let them see tangible reactions, while in contrast another interviewee stressed the importance of maintaining the way PR is conducted systematically and not to *“drastically show something different as a reaction, because this will show that you are panicking. You should show a consistent way of advertising and delivering your message”*.

As for how banks evaluate their CSR programs, all interviewees mentioned the awards and recognitions their banks have received to demonstrate their view of the CSR programme they are managing. As for the areas of improvement, two interviewees stressed that banks should focus more on sustainability and environmental protection which has little attention in Kuwait. Also, establishing a monitoring and evaluation mechanism was another area of improvement that was raised. When asked to evaluate themselves in relation to their competitors, the main element that they believed would distinguish a bank from another was the allocated budget: *“we know that if we have double the budget just like the big banks here, we will double the work”*, the interviewee from ABK said. The second distinguishing factor was top management belief in CSR *“top management in our bank lacks the proper awareness of what CSR is and what can it do to boost business”* as the decision maker in KIB argued. Also, having a certain approach to CSR and a certain framework is another distinguishing factor. This was highlighted by the decision maker in Burgan Bank who supports the idea of owning certain categories of CSR, such as education or environment and mastering them in the community, instead of doing everything. Lastly, a focus on a neglected area that

other banks are not interested in sponsoring could be a differentiating factor, as of the manager in AUB mentioned.

### ***CSR activities and processes***

To understand what is being done under the name of CSR in the Kuwaiti banks, the decision makers were asked to specify the social responsibilities that their banks have. There were a lot of similarities among banks. Education was mentioned by all interviewees, along with employment programmes involving the recruitment of Kuwaitis to solve unemployment in Kuwait, which is becoming a serious problem. Healthcare initiatives were also mentioned by all interviewees, whether internally towards employees, such as conducting breast-cancer-awareness campaigns to educate female employees, or external initiatives to the public, for example a diabetes campaign rolled out across the country by one of the banks.

The document analysis revealed that there were seven processes emphasized by all banks: community engagement and communication, philanthropic programmes, corporate governance and compliance with law, risk management, health and safety programmes, employee community involvement, and sponsorships (see Appendix 5). Each of these processes will be discussed below:

**Community engagement and communication:** All of the banks highlighted the importance of community engagement. NBK's involvement in community engagement and communication is very well known in the country and it is evident the bank is known for their Holy Ramadan Charity campaign named "Do Good Deeds in Ramadan", which involves setting up "Iftar" tents in various locations across the city. The event set a record with more than 150,000 Iftar meals being distributed under the supervision of hundreds of NBK staff volunteers all over Kuwait. Burgan Bank also mentioned that the bank had built a computer laboratory in the Business School in Kuwait University, where occasionally the bank organises seminars and sessions to communicate to the faculty and students about various aspects of the financial and business world. The Commercial Bank of Kuwait (CBK) mentioned on their website that they participated in lighting Yarmouk's Mayor Building in the celebration of the National and Liberation Days

as part of their community service and part of the commercial bank's Yarmouk branch, in supporting the social activities of the area in which they operate.

**Philanthropic programmes:** All the banks handled philanthropic projects as part of their CSR activities and all were committed to allocating donations, time and/or effort for their philanthropic programmes. ABK, for instance, organised a series of lectures for university students to familiarise them with the nature and operations of finance and banking, while Gulf Bank gave special attention to students with disabilities in schools where they celebrate the first day of returning to school with them. Boubayan Bank mentioned in their 2010 annual report that a donation to Somalia through official Kuwaiti organisations was part of their philanthropic programme of that year. It is worth mentioning that the word "philanthropy" was a recurring word in a notable way, on the websites of the Kuwaiti banks, as mentioned by NBK:

*"Locally, our deep commitment to the community by far exceeds the role normally expected from a banking institution and embraces a broad spectrum of social and philanthropic involvement. We proudly boast that we have fully shouldered this noble and sublime responsibility right from the earliest days of the Bank's inception in 1952."*

While CBK noted that:

*"In Commercial Bank of Kuwait, social outreaches and contributions to the philanthropic, social and humanitarian initiatives are of paramount importance".*

**Corporate Governance and compliance with law:** All banks discuss corporate governance issues and compliance with laws and regulations, whether in their annual reports or by having a section on their websites. In this section, banks emphasise corporate governance issues by mentioning how they comply with the guidelines of the Central Bank of Kuwait and the Kuwait Stock Exchange. They provide information on how the banks are managed through presenting the governance structure that specifies the distribution of rights and responsibilities among different participants in the bank, such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders. It is worth mentioning that the Central Bank of Kuwait has taken the initiative – since the early nineties – to issue and update instructions to banks in regard to good

governance, in line with relevant international control standards and advances in banking work to ensure the enforcement of good governance in bank management. Added to this is the fact that banks and financial institutions are governed by the laws and regulations applicable to Kuwaiti companies.

**Risk Management:** It is interesting to see that all banks in Kuwait put emphasis on risk management as part of their CSR framework. ABK, for instance, has dedicated a considerable proportion of annual reports to risk management, and mentioned in their 2010 report that risk management is considered to be one of the cornerstones of their success. Moreover, KIB have a section on their website that describes in detail their compliance to Anti-Money Laundering (AML) law, as well as their policies and procedures that are formulated to ensure better compliance with AML laws in Kuwait. Moreover, the website also discusses the practices the bank takes to ensure that risk management is maintained. It is worth mentioning that proper risk management practices from all banks is not a surprise, as the Central Bank in Kuwait mandates all banks to have a dedicated department in charge of managing risk associated with banking activities.

**Health and safety programmes:** All banks expressed the importance of health and safety programmes; NBK stated in one of its press releases observed on their website that it organised several successful health awareness campaigns for its staff, including the anti-obesity “We Care for Your Health” initiative, in collaboration with the Kuwait Obesity Association. Moreover, to ensure the awareness of employees and customers of KIB with regard to evacuation processes in case of emergencies, the bank conducted (in cooperation with the Ministry of Interiors and the Fire Service Directorate in Kuwait) a mock drill at its head office to help in raising experiences of both employees and customers while dealing with similar cases.

**Employee community involvement:** All banks presented programmes that allow their employees to volunteer for social activities during paid working hours, such as Ramadan events in NBK to feed needy people who cannot afford to pay for their “Iftar meal”, as well as Gulf Bank’s activities that involve conducting events for children with special needs, and Burgan Bank’s staff visit to paediatric wards of several hospitals as part of their Corporate Citizenship Programme.



**Sponsorships:** All banks showed a high level of interest in sponsorships. In fact, all CSR programmes in banks in Kuwait started with sponsorship activities and expanded over time. Moreover, the main areas of sponsorship in Kuwaiti banks relate to sport, culture, and educational events. The interviews also revealed that sponsorships is a major contribution from CSR activities; one of the banks is known for its sponsorship of the major football team in Kuwait, while another bank is well known for its sponsorship of Kuwaiti public schools. Many of the sponsorship activities have a direct impact on the business, such as the sponsorship of schools and universities, where in return students and teachers will transfer their accounts to the sponsor

When looking at the management of environmental impact, it will be seen that only three banks confirmed that they support environmental causes, yet, the support provided is not sustainable and involves short-term campaigns. KIB's representative discussed the types of activities done that are considered environmental, all of which were internal within the bank, more tactical than strategic, and for a short period of time, such as a green week. The interviewee from AUB justified the limited environmental activity by saying:

*"I think the market is not yet ready for environmental causes that is why we do not do a lot of environmental causes, mainly because of the culture and not because we do not want to".*

The interviewee here meant that environmental initiatives are being newly introduced in Kuwait, and, as explained by participants' responses, CSR initiatives in Kuwaiti banks are linked to the national direction. This can be described as one of the attributes of CSR in the banking sector in Kuwait, and explains why banks are late in carrying out environmental initiatives. The interviewee from Burgan bank stated similar, "I think the entire Arab world is late in believing in the importance of sustainability and protecting the environment". However, the researcher believes that banks, or the private sector in general, should take the lead in such initiatives and drive the public, rather than waiting for the government to start it. In fact, CSR initiatives can even change the national direction, and should try to change negative characteristics of the community, an example would be the obesity rate which is very high in Kuwait, but none of the banks have carried out any campaign in that regard, because banks tend to wait for the

initiative to come from the Government first and then act upon it. KFH's decision maker supported this opinion, he said, "we started supporting the law that was put in place recently which prohibits smoking in public areas. Accordingly, we launched a campaign in support of this new law". Moreover, AUB's representative said that banks that do not have any environmental initiative justify the absence by stating, "we are a bank, there is no environmental aspect of what we do like in the oil and manufacturing sector".

The review of banks' documents augmented the findings from interview as it was observed that little attention is being given to the environment where only four banks illustrated their interest in diminishing the negative impact of productive activities on the natural environment. Even when banks undertake environmental activities, they seem to do so with a limited scope and not on a national level as the documents revealed. Also, these activities appear to be tactical campaigns, rather than sustainable or long-term initiatives. Boubyan bank, for example, had a green campaign to limit the use of paper and to encourage recycling within the bank for a limited period of time. Hence, there was no sustainability in such an initiative. In their 2010 Corporate Sustainability Report, KFH stressed that they aim to conduct their business so that the negative impact to the nature surrounding them is minimised as much as possible, by looking for ways to stimulate sustainable innovation and promote the use of natural resources efficiently. It is worth mentioning that KFH is the first Kuwaiti bank to release a corporate sustainability report that is based on international standards.

In terms of business conduct, only four banks explicitly mentioned in their documents that they have a code of ethics or conduct. Burgan Bank named its ethical principles as a "Code of Conduct". Not only that, but other governing documents were mentioned in their annual report, such as instructions for financial reporting, a quality policy, an employee policy, an information policy, and procedures for the Board of Directors. As for business operation which refers to socially responsible services and products that banks offer to customers as part of their service portfolio, and by looking at the banks in Kuwait, the researcher found that five banks offer what can be called socially responsible products. While NBK and CBK offer free travel insurance on credit cards to ensure that their customers

are better equipped to handle unexpected situations when travelling, Furthermore, Burgan Bank developed a special programme for the young by launching a Youth Account, targeted towards Kuwaitis between 15 and 25 years of age – the account is interest bearing and without minimum charges. In addition, it offers a free ATM card and a free prepaid card that comes with the account and provides discounts at several stores throughout the country.

When it comes to quality programmes, the documents revealed that only four banks appeared to recognise quality as a vital factor for corporate success. Burgan Bank, for instance, is the only bank in the Gulf region to have been awarded the ISO 9001 re-certification for all banking products and services. Furthermore, the bank upheld operational excellence across their range of offerings, as reflected by the JP Morgan Chase Quality Recognition Award 2009, which the bank received for the eleventh consecutive year in a row, in recognition of their high level of quality achieved in international money transfer transactions. Furthermore, AUB mentioned in their 2011 annual report that they have established a quality assurance department, the main role of which is to promote a culture of high quality service by conducting the required training and communication efforts, as well as surveys, to achieve their objective of superior quality service.

It was interesting to see that four banks showed interest in international CSR issues and activities. NBK, for instance, sponsored and participated in the annual Davos World Economic Forum, which is attended by elite world leaders, politicians, and key decision makers. CBK mentioned on their website that they sponsored and participated in the First Kuwaiti Lebanese Economic Forum that was held in Lebanon in an attempt to “be pro-active in all matters that help in improving Kuwait’s image in international events and conferences”. Nevertheless, none of the banks established an independent organisation- such as an institute or foundation- that carry out or promote CSR activities.

When the decision makers were asked how they choose the CSR activities that they will participate in, their responses revealed that each bank has its own methods for deciding on its CSR activities. The researcher raised this question to

see if CSR activity selection is aligned with banks' strategies, this will confirm whether CSR in banks is really strategic.

Burgan bank selects activities which they believe have a priority on a national level, such as helping to solve unemployment, and at the same time has a direct link to the community's needs. Only two interviewees linked their activities to strategy; KIB representative mentioned, *"we choose activities that are measurable, sustainable, with an ROI that is aligned with our strategy, vision, and mission"*. The interviewee from KFH said:

*"... we have an internal process that identifies causes and activities that are in line with our strategy and at the same time will add value to the community."*

To better understand the external factors that could affect how CSR is shaped; the interviewees were asked to identify the contextual factors that affected the way CSR is exercised in their banks. Interestingly, the major external factor mentioned by many interviewees was the national direction. As the decision maker from Burgan bank explained: *"we try to identify the community's needs and try to map our activities accordingly"*. He explained further by giving an example:

*"Education was not part of our CSR framework, it recently became when we felt that there is a need and there were certain directions from the government to start promoting educational values, thus we started promoting financial literacy programmes across schools"*.

ABK's decision maker also said, *"if the community mostly participates in something, there will be a need for us also to participate"*. The researcher believes that this confirms that banks do not work in isolation and that their CSR activities basically stem from community's needs. Other factors were also mentioned, such as the size of the bank and the budget. Two interviewees – KFH and ABK- highlighted an interesting phenomenon within the banking industry, they mentioned that banks are intimidated when any of them initiates a new CSR activity, they react very quickly and do a similar activity: *"what I have seen is that whenever we announce something, the next day you will see other banks announcing something similar"*. Hence, competition and maintaining a higher

competitive advantage can be seen as a factor driving the banks with regards to CSR.

### ***Motives and drivers of CSR***

The literature review revealed that organisations practice CSR due to many reasons and that there are many motives encouraging them to do so. The researcher aimed to investigate whether the motives behind exercising CSR in the banking sector in Kuwait are similar to the motives highlighted by various authors in section 2.3. The interviewees were asked to identify the banks' main motives and drivers in exercising CSR; many motives were addressed while answering this question; the most repeated motives were brand positioning (*"we are always known as the leader in the market and our aim is to be always seen as the leader in CSR as well"*), and contribution to the bottom line:

*"CSR affects technically your profitability, maybe not immediately but in the long run. If you give back to the community and you actually do the best you can, I think it does affect your revenue within a year or two. Because customers automatically perceive you as a conservative bank that does duty, it serves the customers in the best way, it serves the community back, so they want to become a part of that and that's how it may affect your revenue".*

Increasing customer loyalty, increasing customer base, the ethical obligation of the bank, and being part of the values of the bank were also mentioned by interviewees as being motives.

The document analysis also revealed that banks in Kuwait are exercising CSR because of one or more motivations (see Appendix 5). However, six banks out of the nine banks stressed and addressed the stakeholder-driven principle implicitly or explicitly. This is due to the growing demand from stakeholders in Kuwait relating to social concerns. NBK mentioned that by participating in the community and addressing social initiatives, they are creating long-term stakeholder growth. Value-driven CSR was the second motive, where five banks expressed CSR as part of their core values. Burgan Bank mentioned in their 2010 annual CSR report that *"we act by values that we truly cherish and believe in; and we believe in what we do"*, while Gulf Bank mentioned in one of their press releases posted on their

website that *“our commitment to Corporate Social Responsibility is in a very perfect fit with our values”*. On the other hand, performance-driven CSR came as the third motive and only three banks linked performance to the CSR approach. NBK mentioned in their 2011 CSR annual report that CSR contributes to their success and to their winning of the best bank in the Middle East award for many consecutive years:

*“The bank maintained its title as the ‘Best Bank in the Middle East’ – a reflection not only on the bank’s fiscal position but also its leading role in corporate social responsibility”.*

NBK also mentioned on their website that their ethical standards and maintaining responsible transactions, as well as their prudent risk management led them to be listed among the 50 safest banks in the world. NBK also drew a strategic link between social responsibility and financial performance by mentioning it on their website:

*“Today, it has become quite infeasible for successful organisations to create value or maximise the return for shareholders on a continuous basis if, at the same time, they do not respect the social and humanitarian that are of interest for the public and therefore the market.”*

Moreover, the decision makers were asked if the motives of CSR evolved over time, by looking at the responses, one can see that there has been an evolution while practicing CSR with regard to a few different aspects, be it motives, the types of activities, or the scope of CSR. The reason behind this evolution is basically because CSR started as part of public relations activities, as well as following what other banks were doing. NBK was the first organisation in Kuwait to present CSR, and then other banks followed NBK without really having a deep belief in CSR. As the manager from AUB stated, *“to be clear and honest with you, when we started exercising CSR it was more of a trend and we were following what other banks were doing”*. Later, he explained:

*“... we started to face more demand from stakeholders to be socially responsible and they were pushing us for more accountability and transparency. I think it’s the new generation’s effect, the demographics*

*of our population are changing and now the young generation is changing the norms and expectations in the society.”*

AUB representative also recalled shareholder reactions when CSR was introduced.

*“We were facing opposition from our shareholders at that time, I remember one of them saying to me: why should we worry about these things? Please, we want you to focus on the business rather than spending money here and there for showing off.”*

These responses demonstrate how the perspective of CSR has changed within the last eight years, from total opposition to more pressure to have more CSR. As the interviewee from KFH mentioned,

*“... now there is more focus on performance, CSR used to be looked at as part of our values only but now more and more, our belief has started to increase its effect on the bottom line.”*

It is worth noting that the importance of CSR also increased after the financial crisis, according to one interviewee: *“the financial crisis made people demand the banks to have more responsible business”*.

When asked if the drivers could differ from bank to bank or from one industry to another, the majority of interviewees believed that motives across banks do not differ; this was seen clearly when respondents were asked to specify why they exercise CSR, whereupon the responses were very similar. However, they believed that motives differ from one industry to another as AUB representative explained:

*“Oil and gas companies are expected to act responsibly towards the environment, as for us in the banking sector, I believe the main driver is to have responsible practices such as responsible lending which is an area that gained lots of attention after the financial crisis as well as transparency, accountability, and trust.”*

Interviewees were also asked about the expected gain from CSR, the most frequent benefit cited by almost all interviewees was brand recognition:

*“CSR strengthens our brand.” (KFH)*

*“CSR increases the value of our brand.”* (Burgan Bank)

*“Our brand recognition would be better, customers would have a better image associated with our brand. Instead of the brand being associated with a bank that takes their money, it will be associated with a bank that is giving back to community.”* (ABK)

The aim of this specific question was to confirm the responses obtained when asking decision makers about the main motives for exercising CSR and to see if there was a correlation between the motive and what they expected the bank would gain. As can be seen, the main motive mentioned by decision makers was brand positioning, and the benefit that those decision makers were expecting was brand recognition. Hence, there was no contradiction in responses. It is worth mentioning that many authors highlighted the positive effect of CSR on a brand, such as Kotler and Lee (2005), Lafferty and Goldsmith (2005), and Nan and Heo (2007), who all believe that linking a brand to a specific good-cause or project will most likely positively influence attitudes toward the brand. Moreover, interviewees also mentioned trust of shareholders, society’s recognition, reputation, customer loyalty, increase in customers, and increase in revenue as benefits to the bank. As for the benefits to the society, interviewees mentioned social development, enhancement of the economy, and creating job opportunities.

With regard to major cost of corporate social responsibility, two major costs were brought up frequently – time and budget. Two interviewees mentioned time as the major cost. The interviewee from KFH stated that CSR activities take a lot from the CEO’s time. Till and Nowak (2000) stressed the time factor as being an indicator of whether the programme is a long-term commitment or a short-term activity. Definitely, a long-term commitment reflects high efforts being devoted to CSR. Moreover, Macleod (2001) highlighted management involvement by stressing that the involvement of influential or prominent senior people in a business is evidence of serious commitment on behalf of the company and so characterises high effort as well. Budgeting is another element that was discussed and raised by four interviewees. As quoted by one interviewee: *“consistency and sustainability of CSR programmes requires a big amount of funds”*.



#### **4.2.1.3 Banks and their stakeholders**

This sub-section discusses the findings related to banks' perspective of the impact of CSR on various stakeholders. The decision makers were asked to identify the stakeholder who has the biggest impact on the bank regarding their CSR activities; the answers revealed that customer is considered to have the biggest impact on the banks, because "*customer feedback is key to the decision*", as the interviewee from KFH explained. The second most frequent answer was that all stakeholders have an impact on CSR equally. An interesting answer was given by the decision maker in KIB which is an Islamic bank who mentioned that the Sharia Committee is the most important stakeholder, due to their role in approving or disapproving CSR activities, where each and every activity the bank undertakes has to pass through this committee to ensure compliance with Islamic principles. Furthermore, the interviewee from ABK mentioned that the most important stakeholder is the board, because they have to believe in CSR. In the following pages, the findings related to each stakeholder will be discussed.

#### **Community**

By looking at the documents of the banks and investigating the level of commitment of banks towards the community, it was found out that enhancing the quality of life in the local community was addressed clearly by seven banks – by looking at CSR activities mentioned on the banks' websites, a great deal of evidence was obtained relating to this. For NBK, reducing unemployment by encouraging the Kuwaiti youth to gain qualifications, providing job opportunities, and prioritising the recruitment of young nationals appears to be their main activity under this category. To achieve this goal, the bank established the NBK University to offer exclusive training to staff members and the chance to broaden the career opportunities of Kuwaiti citizens. Gulf Bank, Burgan Bank, and Commercial Bank are also committed to offering career opportunities to Kuwaitis. Moreover, Gulf Bank donated ultrasound medical equipment to the Mubarak Al-Kabir Hospital and supported the Terry Fox Run for Cancer Research. Furthermore, ABK supported the Hope and Joy voluntary group activities, which involve taking care of elderly, unwell and differently abled people, and those who need moral support in dealing with crisis situations.

Furthermore, seven banks were highly concerned with protecting the environment and reducing their operational impact as part of their role towards the community; KFH discussed the five sustainability pillars in their 2010 Corporate Sustainability Report, from which the environment was one pillar. KFH stated that:

*“We believe that mankind is the steward of his environment. We aim to conduct our business so that negative impact to the nature surrounding us is minimised as much as possible, by looking for ways to stimulate sustainable innovation and promote the use of our natural resources efficiently.”*

Boubyan Bank launched the Big Tree Society Kuwait programme developed by UNESCO and organised by the bank, the programme aims to encourage ecologically friendly projects and spread environmental awareness amongst students, who were invited to launch their own environmental initiatives in cooperation with their school. Moreover, AUB promoted the green environment by sponsoring the beatification and forestation of different locations in Kuwait.

In terms of developing educational programmes for the local community, it was interesting to see that all banks showed a great interest; Burgan Bank invited thirty students who were studying information systems from Kuwait University to attend a workshop prepared by the information technology department of the bank. The students learned about the bank and the technologies used, and focused on various topics ranging from database and management access, computer networks and communications, information system management, web development, design, computer programming and computer structure, followed by a site visit to the data centre. KIB, on the other hand, hosted a field trip for children and teachers of Al Nakhba School at the bank's head office, where KIB employees provided an overview of the bank's operations, as well as introducing to the students KIB's kids saving account and helping them to understand the value of saving. Additionally, the teachers were provided with a presentation on KIB's women's account and how to design a saving plan.

As for community human rights, Burgan Bank was the only bank that mentions human rights as part of its CSR practices, where it claims that it strongly upholds human rights and encourages mutual respect and cooperation towards its

employees and the community. This was mentioned in their annual CSR report for the year of 2009.

It was interesting to see that seven banks engage in cultural activities and discuss their support of organisations, activities, actors and objects linked to the arts and the national culture as part of their role towards the community. Commercial Bank (CBK) participated in reviving the Kuwaiti heritage and shedding light on the past, by supporting the annual traditional diving trip in search of pearls, as well as making a financial contribution to the cultural festival organised by the Kuwaiti Volunteers Association. It is worth mentioning that CBK is known in Kuwait as an organisation that supports the Kuwaiti traditions and culture by striving to revive Kuwaiti heritage; every year the bank issues an annual calendar which encompasses a number of paintings that reflect the old Kuwaiti traditions. As mentioned in one of their press releases:

*“The Bank has adopted the responsibility of reviving Kuwait's old heritage [from a] long time back, believing that it is no less important than demonstrating the features of modern life that we live now ... customers and non-customers of Al-Tijari are very interested to see the calendar of the Bank every year and the themes and ideas it reflects. The calendar has images on the patterns of the simple life of our forefathers and the extent to which they were in harmony and satisfaction with their life, despite it being tough some times. The calendar encompassed a number of paintings such as Bride ornament, Return of Sailors from Sea, Zabeel craft and Al Khesaf craft, in addition to a number of pictures and images that reflect the simple life of the past.”*

KIB also stressed the importance of a very traditional part of the Kuwaiti social life, the “Diwaniya”, as mentioned in the literature review chapter. This is an important symbol of Kuwaiti hospitality and is part of every Kuwaiti home, where men gather in a reception area every night to interact and engage in different topics. Every year during Ramadan, KIB officials conduct Diwaniya visits as a gesture from the bank to bond and interact with the Diwaniya owners and visitors. As mentioned in the KIB press release,

*“... the visits aimed at reaching different members of the community at their social gatherings and during special occasions symbolising*

*fundamental traditions and Islamic Sharia values the bank aims at portraying in the Kuwaiti market.”*

The referencing in this statement to Sharia values will be discussed in detail in the section that covers Islamic referencing.

Safety of the community was on the agenda of two banks only: Commercial Bank and Kuwait International Bank (KIB). Commercial Bank claims, in their 2011 annual report, that in realisation of the importance of road safety issues, the Bank sponsored the Unified GCC Traffic Week. While KIB mentioned in their 2012 annual report that they signed a memorandum of partnership between the bank and Kuwait Fire Department which was named, “We take care of your safety”. It is very clear from those two examples, as well as the absence of safety related activities in other banks, that concern for the safety of people in the communities surrounding banks’ productive operations is not really of importance to Kuwaiti banks.

Furthermore, only one bank, the Gulf Bank, was concerned with animal welfare as part of their commitment to the community by being engaged in or was concerned with animal welfare activity; the bank sponsored the Third Annual Charity Golf Tournament organised by the Kuwait Society for the Protection of Animals and their Habitat (K’s PATH) which is a dynamic and committed animal welfare organisation concerned with all aspects of animal safety in Kuwait. Gulf Bank believes that its sponsorship to this event is part of their commitment to support community related causes and charitable events to help create a better community as a whole. The researcher believes that awareness of animal rights and welfare is very low in Kuwait in general, which explains why banks are not interested in this initiative. In addition, there is no law in Kuwait that regulates animal abuse in Kuwait, and the constitution does not mention any animal rights. Moreover, animal abuse and cruelty is widespread in Kuwait, such as stray dogs and cats, poisoning, dog fighting, illegal importation and breeding of wild animals that are unsuitable or dangerous as pets, and other unpunished acts of animal cruelty. The researcher believes that banks have a responsibility to educate the community that such practices tarnish Kuwait’s reputation in the international community, and should, as part of their community engagement activities, increase awareness of

citizens through massive education and information campaigns on the humane treatment of animals.

### **Employees**

In terms of employees' engagement and involvement in CSR, the decision makers of the banks agreed that the level of employee engagement is high in their banks. Many examples were given to demonstrate the engagement. NBK decision maker gave the example of a beach clean-up activity where employees from different departments participated in this campaign. When the researcher asked how employees would know about such activities, the decision maker explained that it would be posted on the intranet to announce, as well as by sending emails to staff. Another example was Ramadan night prayers, where employees volunteer to help policemen in logistics during prayers. A very important note was raised AUB's representative when talking about employee engagement, he stressed that:

*"...in any CSR activity, there are always certain people who are seen all the time in such activities although the bank announced volunteering to all the employees."*

The interviewee explained that those people are the people who have more commitment to their society, "*being socially responsible is still an option here in Kuwait*" he clarified. The researcher believes, after the extensive review of literature, that this is the case not only in Kuwait but also across the world. However, organisations should take the lead in increasing the community's literacy about social commitment, in order to transform it from an option to an obligation. Moreover, when organisations – or banks in the case of this research – treat CSR as an obligation and ensure that it is mandatory by holding each and every employee accountable in their annual performance assessment, employees will slowly learn how to be socially responsible citizens and will definitely teach their children to do the same.

To better understand the CSR initiatives banks offer to its employees, the decision makers were asked in the interview to specify their CSR activities towards their employees. It is worth mentioning that banks in Kuwait are known to provide the best compensation and benefits in comparison to other sectors in Kuwait. The

interviewee from NBK mentioned that beside the attractive compensation, they offer premium healthcare insurance to the employee and his family members. This bank also hosts a Mother's Day event where they reward the mothers in the bank, they also distribute the "Eideya" to employees during the two Eids. The "Eideya" is a Kuwaiti tradition where adults give children an amount of money on the first day of Eid. It is very similar to the Christian celebration of Christmas, but it occurs twice a year. This bank offers each employee an amount that is equal to US \$ 300 every Eid. Burgan bank decision maker mentioned staff loans, which are non-interest loans, as well as stock options which make the employee a shareholder in the bank. Flexi time – which allows an employee to choose his or her working hours – was also mentioned by a number of interviewees as a CSR initiative catered towards employees. This was also supported by the documents analysed, where it was found that six banks referred to the importance of employee care; however, the findings reveal that such activities are similar among the banks and comprise for example, scholarships for employees as well as employees' children, interest-free loans and credit cards, flexible time attendance, healthcare services, pension plans, maternity leave supplements, long-term income protection, and employee assistance programmes.

The documents of the banks also revealed banks' commitment toward their employees; six banks were seen to be concerned with protecting the safety of employees in the workplace, along with their overall health level. For example, NBK conducts a fire drill each year as part of its commitment towards employee safety. Gulf Bank mentioned, in a press release published in January 2012, that the bank provided free flu shots for all employees to provide them with preventative measures in order to ensure that employees maintain good health. As mentioned in the press release:

*"This is an annual activity undertaken by Gulf Bank, along with other initiatives, which aim at enhancing the employee work environment. By doing this, Gulf Bank provides a shared benefit for the Bank and all of its customers with the knowledge that employees work more effectively and efficiently when they are healthy."*

Burgan Bank mentioned in their 2010 CSR annual report that they conducted a two-day workshop focused on civil defence, firefighting and medical first aid. The

workshop was conducted in cooperation with the Kuwait Fire Department and the Ministry of Health to provide employees with training and knowledge of extinguishing fire, evacuation techniques and supporting and moving injured people in case they needed to evacuate offices. Employees were also trained to exercise first aid techniques in case of any emergency.

In terms of equal opportunities, only Burgan Bank and KFH showed high interest in diversity and equality. In its 2010 CSR annual report, Burgan Bank claimed that it is:

*“An equal opportunity employer and offers competitive compensation, remuneration and benefits such as pension plans, long-term income protection, maternity leave supplement, and employee assistance programs. Ensuring that the employees are provided a working environment, timings and terms that are motivational and conducive to their productivity and efficiency is an on-going effort at the Bank. Burgan Bank strongly upholds human rights and encourages mutual respect and cooperation.”*

KFH, on the other hand, mentioned in their 2010 corporate sustainability report that:

*“... empowering women tops our agenda of achieving a sustainable and healthy workforce ... We value all our employees equally and appreciate their efforts throughout all employee categories. This is why we make sure that all are treated equally, regardless of their gender”.*

From the review of organisational documents of both banks, it was clear that equal opportunities denote only gender, religion, and ethnic equality. However, political views, social origins, and sexual orientations were not within the banks' definitions of equal opportunities. In fact, the code of conduct of Burgan Bank, as an example, stresses that employees should refrain from expressing their political opinions. Moreover, sexual orientation is a social and religious taboo almost everywhere in the Middle East. Hence, the definition of equal opportunities in this part of the world is very limited compared to a Western definition, and thus cannot reflect the broader understanding of what diversity means.

The documents also revealed that learning and development opportunities are considered to be one of the major issues of the banks. Training and development

programmes are conducted on a continuous basis by those banks, whether on soft or hard skills, in order to increase knowledge and awareness of employees at all levels. ABK was the only bank that did not put any emphasis on this aspect in any of its documents.

When looking at human resources processes, the documents revealed that eight of the banks have clear processes in that regard especially processes that focus on learning and development, which is shown in their emphasis on training. AUB, for instance, established an assessment centre, which is the first evaluation centre among local banks to evaluate and select superlative candidates. Boubyan Bank launched a programme for qualifying branch managers in cooperation with Gulf University for Science & Technology (GUST) with which an Agreement has been signed to act as “the Exclusive Academic Partner” for Boubyan Bank in Kuwait. The programme aims to develop the capabilities and enhance the expertise of branch managers by receiving an MBA degree from GUST. Moreover, Kuwaitisation is an important initiative in all banks, as the government in Kuwait obliges banks to have at least 63% of their staff as Kuwaitis. Commercial Bank of Kuwait mentioned that:

*“The bank is very proud to have many distinguished Kuwaiti employees who contribute along with their veteran colleagues from other nationalities to create a distinctive banking environment.”*

Burgan Bank state that they,

*“...have accomplished a healthy 63% Kuwaitisation ratio and have absorbed over 100 nationals into our workforce. We will continue to recognise their potential, identify their strength and hone their skills through training programmes.”*

In terms of banks’ opinion in the effect of CSR on employment decisions, it has been seen that there was variation in the opinions of decision makers when asked if being socially responsible makes the bank an employer of choice. Some decision makers agreed, and some disagreed. The decision maker from KIB stressed that young generations are the ones for whom working for a socially responsible organisation matters. The decision maker from KFH which is an



Islamic bank raised an interesting link between working for an Islamic bank and having moral thinking:

*“When it comes to joining Islamic banks, people I interview mention that they prefer to work in an Islamic bank because of moral issues or let’s say this comes from moral thinking.”*

On the other hand, decision makers who did not believe that being socially responsible made a bank an employer of choice agreed that timing is the main reason, as AUB representative mentioned:

*“I do not think that we have reached this stage. This of course is due to the financial crisis which resulted in an increase in the rate of unemployment. Maybe with time, this will make a difference, but I think it is too early for us to reach this stage”.*

The interviewee from Burgan Bank also stressed that this will not happen until the public reach a level of understanding that, *“an organisation which pays attention to the community, will pay attention to the workforce”.*

### **Customers**

It was interesting to see that all decision makers believe that being a socially responsible bank will affect the customer’s decision regarding who to bank with, because a good perception leads to a good response. Also, interviewees agreed that CSR increases customer loyalty as well. The following examples demonstrate the decision makers’ responses:

*“The more you are seen as a reputable, socially responsible bank, the more your brand value will increase and thus maintain loyal customers.”*  
(NBK)

*“Customers would like to see that the bank is giving back to society and is a partner in development.”* (AUB)

*“Customers expect responsible actions, ethical trading, accountability, transparency, and yes I think this affects the consumers’ decisions.”*  
(KIB)

These responses align with studies such as Barone et al. (2000), Berger and Kanetkar (1995), and Creyer and Ross (1997) that established that consumers are

willing to actively support companies committed to cause-related marketing, environmentally friendly practices, or ethics.

Moreover, document analysis revealed that seven banks considered product and service quality as part of their commitments to customers. As mentioned earlier, Burgan Bank is concerned with quality and is the only bank in the Gulf region to have been awarded the ISO 9001 re-certification for all banking products and services. Gulf Bank launched, in 2012, the “we promise” campaign; as part of their commitment to delivering superior service, the bank promises and guarantees to offer the fastest and the best services to clients. As per the advertisement material, the bank promises to deliver cards and disburse loans on the same day, to deposit customers’ salaries early in the morning, and to keep queuing times to less than ten minutes. The campaign gained a lot of attention by the public, as it guarantees zero delays in delivery of their promises. Gulf Bank conducts on-going online surveys through their website, where they try to obtain customers’ insight and feedback regarding their product offerings and services, as a way to “enhance the quality of our services”.

ABK, on the other hand, won the service quality award from service Hero – an independent organisation specialised in cross-industry customer satisfaction and quality standards – in Kuwait in 2012, as a result of their continuous efforts to provide customers of the bank with a high level of service. NBK also won this award twice in 2010 and 2011 before ABK took their place in 2012.

Moreover, KIB emphasises quality of their services by adding a link on their website for customer complaints, as part of their efforts to “*ensure service quality*”. The researcher believes that the attention to ensuring quality of service and product is due to the fierce competition between them, as the products and services cannot be differentiated due to their similarity, and there is a lack of scope to be creative in product and service development in this industry, and hence, the differentiation will be on the quality of the service and product.

Six banks also displayed concern for the safety of their customers. Gulf Bank, for instance, has a link on their website which advises customers and increases their awareness on what they need to do to maintain security of their accounts, by

giving tips that will educate customers on how to save their online passwords and their card pins, how to avoid being a victim of online fraud, as well as other security related tips. KIB does the same on their website, where they provide security tips and facts that will protect the customers' privacy and accounts. Furthermore, Burgan Bank states the following in their 2011 annual report:

*“Protecting the interest of the bank’s customers is crucial to leveraging a long-lasting association. Through a number of strategic initiatives including protection against fraud, anti-money laundering programmes, upholding privacy issues and so on, the bank seeks to demonstrate the ‘inside-out’ approach to customer relationship management which focuses on the customer first.”*

Additionally, five banks were concerned with the confidentiality of customers' data. Burgan Bank mentioned in their CSR charter that part of their economic responsibilities is *“to protect the interest of customers at all times by maintaining privacy and confidentiality of transactions and consumers’ personal data”*. ABK mentioned in their 2012 annual report that they had upgraded the main data centre to meet leading international safety and security standards. Moreover, AUB mentioned in their 2011 annual report that they obtained certification of the internationally accepted Information Security Standard ISO 27001, which ensures that the confidentiality, integrity and availability of information are protected. Additionally, AUB implemented information security safeguards as per international standards, in order to enhance internet banking security and to mitigate web-based fraud, as well as upgrading their international payments system SWIFT to the latest version, to bring all services to a higher security level.

### ***Shareholders and investors***

The document analysis showed that shareholder issue is a major concern since all Kuwaiti banks are listed on the Kuwait Stock Exchange. Furthermore, all banks have a specific section on their website in order to provide financial and corporate governance information to shareholders, and some banks, such as NBK, Boubayan Bank, and Burgan Bank, have even established investor relation departments and the contact details of investor relation managers are displayed on the websites. CBK mentioned on their website that,

*“... we seek to create long-term relationships on the bedrock of mutual trust and partnership. We are devoted to protect[ing] the interests of our shareholders through a culture of transparency.”*

### **Suppliers**

Merely three banks mentioned the importance of supplier issues, such as ensuring fair returns for both parties, avoidance of conflicts of interest, and following agreed terms and conditions. On the other hand, none of the banks mentioned anything relating to responsibility towards competitors.

In regard to supply chain management, only four banks gave attention to external partners, such as counterparties, regulatory authorities, and business colleagues. Those banks believed that they should have an influence on the entire value chain to lessen the potentially negative impacts of their activities. Burgan Bank mentioned, in their 2009 CSR annual report, that they,

*“... have a strong policy underlining the nature of related-party transactions and are committed to observing the highest degree of integrity in our marketing communication through responsible, accurate, truthful and unambiguous messaging.”*

In their 2011 sustainability report, KFH identified their stakeholder groups and mentioned:

*“When dealing with our suppliers, we aspire to be their customer of choice by providing loyalty and support to enable them to compete more effectively in the market. Through such efficiency, we are able to spend more time innovating products, sourcing our inputs more sustainably and finding new ways to integrate sustainability in our value-chain for our industry sectors.”*

In terms of CSR communication to stakeholders, all participating banks share the same communication methods to stakeholders, such as press releases, social media, conferences, the banks' websites, annual reports, and road shows. Moreover, the analysis of the documents of the banks showed that only three banks produce a formal CSR report that discusses their CSR activities. It is worth mentioning that KFH is the first Islamic bank in the world, and the first bank in Kuwait, to release a corporate sustainability report based on GRI standards, in

addition to their annual CSR report. On the other hand, Burgan Bank was the first bank in Kuwait to issue a CSR annual report.

#### ***4.2.1.4 The impact of the financial crisis on CSR conceptualization and practices***

It was unknown whether or not there was a negative impact that resulted from the global financial crisis of 2008 on CSR in general and its budget in particular in the Kuwaiti banks. The researcher believes that it is significant to know the impact of the crisis on CSR because banks in Kuwait started exercising CSR effectively in 2007, and while they were progressing in CSR and starting to shine, the financial crisis hit the Kuwaiti banks severely. Hence, the researcher wanted to investigate whether this has affected the development of CSR in Kuwaiti banks.

First of all, the interviewed decision makers were asked if their banks have an agreed budget for CSR activities. Only one bank stated that they do not have an agreed budget, while the rest do have a budget that is declared in their annual report or the CSR report every year. When asked to reveal the budget, all provided it, since it is publicly shared in the annual report. There was a variation in the budget that was positively correlated with the size of the bank and its revenue. The smallest budget was KD 70,000, which is around \$250,000, while the biggest was KD 10,000,000, which is around \$35,000,000. The researcher wanted also to investigate whether the Zakat payment of 1% of net profit (one of the five pillars of Islam) is part of the CSR budget, since all listed companies in Kuwait have to mandatorily make this payment. All banks stated that the Zakat payment is not included and is treated separately – similar to the banks' contributions to the Kuwait Foundation of Advance Research (KFAS), which is an institution that provides aid and assistance to science students and researchers for their education and training, and for scientific research and development in general. Funding of KFAS is generated from the payment of all Kuwait shareholding companies of 1% of such companies' net profits and is also mandatory. Hence, the CSR budget solely covers CSR activities and does not include Zakat or KFAS.

When asked if the global financial crisis had any effect on CSR spending, interestingly, a few banks decreased their CSR budget as a result of the financial crisis, while the rest either kept it as it was or increased it. The researcher tried to explore the relationship between budget slashing and the level to which the bank

was affected by the financial crisis, as it was assumed that the more the bank was affected, the more budget slashing occurred. However, the findings revealed the opposite. From the responses received, as well as the annual reports from during that period, it was found that banks that were affected by the financial crisis increased their CSR spending, while banks that were not affected either kept the budget as it was every year or reduced it. This could be a reaction by the affected banks to emphasise that they could still be part of the society and gain trust, especially in light of the fact that financial institutes were attacked for being part of the causes of the crisis, especially in Kuwait, as one of the banks had dealt with derivatives in an irresponsible manner that caused severe losses to shareholders, hence this bank specifically needed to regain trust. One of the decision makers of a bank that increased its budget despite a severe hit on its earnings stated:

*“We increased our spending to ensure that we were providing remedies to financial crisis damages that occurred in the society, such as the increase in unemployment where we tried to find suitable jobs for those people. We also started conducting professional and international seminars that educated our high net worth customers and provided them with a better understanding of the crisis and how to deal with it. We hosted Nassim Taleb who talked about his book the black swan and how life was evolving amidst unexpected events.”*

This confirms Yelkikalan and Kose’s (2012) view that although the uncertain environment created by a crisis creates a threat to organisations, it also brings along many opportunities. CSR activities can be also used to overcome some social problems caused by crises, as Yelkikalan and Kose (2012) suggest. Moreover, there was remarkable agreement among the interviewees that even if the budget was not touched; they would have relooked at the channels used in an attempt to be more selective than before.

In terms of changes of CSR strategy as a result of the financial crisis, all interviewees agreed that the strategy itself did not change, but that their selection became more focused. The decision maker in AUB mentioned an interesting link between cost cutting and being a responsible bank, he stated:

*“... the strategy remained the same but we were asked to prioritise our projects. I think prioritisation of projects and even cutting the budget can*

*certainly be labelled as a responsible act when companies are experiencing declining profits.”*

The interviewee from ABK believed that the financial crisis made them focus more on education, as part of their CSR activities to educate people how to invest their money wisely, *“the financial crisis taught us not to put all of our eggs in one basket so we are educating people not to do that”* she explained. Two examples were shared by the decision maker in KFH to demonstrate how they have been more selective in CSR spending; the first example was their annual contribution to Red Crescent in which 40% of the donation went to administrative and advertising costs and only 60% to the refugees. The bank decided after the financial crisis to stop this annual exercise, because they wanted to be sure that each Kuwaiti dinar spent would benefit the cause. The other example was the diabetes cause, this was also an annual campaign that cost around KD 100,000, however, their new approach was provide scholarships to seven Kuwaiti doctors at the Harvard Medical School to attend specialised diabetes training at the Joslin Diabetes Center, hence benefiting society by educating Kuwaiti calibres and spending to have a direct benefit, rather than running an awareness campaign which involved a lot of advertising costs, but with much less direct benefit.

It is worth mentioning that there were many terms introduced in the banking sector under the umbrella of CSR, such as “corporate governance”, “transparency”, “sustainability”, “ethics”, “reputation”, and “accountability”. When tracing the introduction of these terms in the Kuwaiti banks, it was found that these terms were first used from 2008 onwards. The researcher believes that the financial crisis is one of the reasons that such terms emerged during this period, as shareholders started demanding more transparency in business operations. This is also supported by the findings from the analysed documents where it was interesting to learn that seven banks highlighted transparency issues. For instance, Burgan Bank claims that in addition to ethical standards, core values, professionalism, and best practices, transparency is one of the bank’s main priorities. Furthermore, the Chairman of CBK stated in his message to shareholders in the 2012 annual report that:

*“Transparency is considered the cornerstone of the new rules and requirements of corporate governance and reflected in disclosures made by the bank for related parties and others.”*

ABK also mentioned transparency as part of their commitments to corporate governance practices. Moreover, commitment to fostering sustainability was addressed by only one bank which is KFH. It is worth mentioning that KFH is the only bank in Kuwait that issues a sustainability report and was the first Islamic bank in the world to release such a report. The CEO of KFH defines what sustainability means from an Islamic perspective, in his message to the stakeholders in the 2011 corporate sustainability report, by saying:

*“... sustainability is not a new concept in the Islamic word. Throughout the corridors of KFH offices, you will hear the phrase ‘E’mar Al Ardh’ meaning developing the land. Repeatedly, this is taken from the Holy Quran when it is told to Adam for the reason of building the land (Behold, the lord said to the angel: I will create a vicegerent on Earth). We use the term E’mar Al Ardh to relate to the establishment of all our projects which contribute to humanity.”*

Hence, only KFH believes that they have more than the economic role to fulfil in society and that the way they do business has a direct effect on the world around them.

Furthermore, accountability was addressed by only two banks in their documents. NBK set guidelines for staff improvement to ensure accountability, while Gulf Bank addressed accountability towards the Board of Directors and shareholders and stressed, *“it is vital”*.

It has been seen that banks had put more emphasis on anti-corruption policies after the 2008 financial crisis; according to the documents analysed, five banks showed clear anti-corruption policies, as stated on their websites and in their annual reports. For example, in its attempts to reduce corruption among employees of banks in Kuwait, Ahli Bank mentioned, in their 2009 annual report, that they sponsored the Anti-Money Laundering Conference organised by the Ministry of Commerce and Industry and the Kuwait Central Bank during that year. The aim was to raise the awareness of banks in Kuwait with regard to international methods of detecting and preventing financial crime.



#### **4.2.1.5 The impact of Islam on CSR conceptualization and practices**

Having two different banking systems in Kuwait – conventional and Islamic – led the researcher to investigate whether CSR practices differ among conventional and Islamic banks, and whether Islamic banks give more attention to Islamic causes in contrast to conventional banks. Kuwaiti society in general is a religious society and complies with Islamic principles in day-to-day activities, which also developed the interest of the researcher to see whether this compliance affected the type of CSR activities. Moreover, the literature revealed that there is a great match between the teachings of Islam and the principles of CSR, but it is not known whether banks in Kuwait are realizing this match and are incorporating the teachings of Islam in their CSR programmes.

The interviews revealed that all banks agreed that they participate in and support religious causes and initiatives. The decision maker representing NBK which is a conventional bank mentioned that their participation stems from the support for good deeds and cooperation, rather than taking it from a religious perspective. He also argued, *“Islam pushes people to do good deeds and if Islam is shaping our human values this will definitely be reflected in business values”*. He also gave an example of support to a religious cause – participating in welcoming the visitors to the Grand Mosque during Ramadan, where thousands of people come to prayers at night, and where the increase in traffic necessitates having people to organise the entrance and exit and to direct visitors on their way – every year the bank participates by sending volunteers to help in organising this event. The car park of the bank, which is adjacent to the mosque, is also opened every year to visitors to park their cars.

ABK’s decision maker- which is a conventional bank too- mentioned that they do boxes that have around 20 commodities in them, such as rice, lentils, and oil, to be given to poor people during the holy month of Ramadan: *“so we approach the religious event in a way of giving back to the community and not in a religious way”* she claimed.

The decision maker representing Burgan Bank mentioned that they print some paperwork with prayer times on during Ramadan, as well as book marks that will help readers of the Holy Quran to track and plan their daily readings during

Ramadan. As for Islamic banks, the decision maker from KFH stressed that Islamic banks do not want to be labelled as only supporting Islamic causes, and that their way of supporting Islamic causes are the same as conventional banks:

*“we are a bank doing things that comply with Sharia but we don’t want to focus only on Islamic causes. Other than Ramadan, we do not have really any specific religious causes”.*

When asked to give an example, he gave the example of a launch of a free iPhone and iPad application of the Quran that can be downloaded from the Apple App store which so far has had more than a million subscribers. He justified this launch by saying that people in Ramadan read the Quran, so they thought of presenting something special to them during this season which would be handy and useful. AUB’s decision maker also gave similar examples of good deeds during Ramadan.

It was apparent here that, from the banks’ perspective, there were no differences between Islamic and conventional banks in terms of supporting Islamic causes. More importantly, Islamic initiatives were approached as giving back to the community and supporting good deeds, as well as from a commitment to society perspective. Hence, religious initiatives were introduced in both conventional and Islamic banks from a moral standpoint, rather than an authoritative standpoint. However, Islamic banks’ activities are regulated by a Sharia council where they cannot conduct any activity without first submitting a proposal to the Sharia council within the bank, to check whether Sharia guidelines are met in that proposal. Any proposal that the council feels does not comply with Sharia guidelines is rejected. Each Islamic bank appoints a Sharia council, which comprises of a number of Islamic advisors, and meets on a regular basis to discuss submitted proposals and agree on decisions. The council’s agreement should be obtained not only for CSR activities, but also for any new initiative or product that the bank is considering launching. This is done to make sure that the religious expectations of those who deal with Islamic banks are met. As stated by the interviewee from KIB:

*“Islamic guidelines encourage institutes to be socially active and be responsible towards the society, that is why most of what we propose gets accepted, and we never faced objection from the council, it’s just a procedure that we should adhere to”.*

Furthermore, the council issues a report to the users of financial statements certifying that the bank has adhered to Islamic principles (Karim, 1990). The responsibilities of the Sharia council also include the auditing of transactions, the calculation and payment of Zakat – which is the 1% of net profit that is paid mandatorily to charities as per the guidance of Islam – and advising the bank on its accounting policies (Karim, 1990).

In terms of banks' commitment to Islamic concepts from a social perspective, and by looking at the responses of the decision makers, it is clear to see their re-emphasis of participating in Islamic causes. NBK's decision maker stated:

*"We are very committed to Islamic concepts, we have been running our Ramadan fast-breaking banquet for the last 17 years as part of our philanthropic activities."*

Burgan Bank's decision maker stated, *"Islam encourages us to give back to society and support acts of kindness and goodness which is what CSR is all about"*. ABK's representative also confirmed the same: *"I do believe that CSR is an essential part of Islam, which is about giving back"*.

From a product perspective, banks also have shown their commitment to Islamic concepts, for example, KFH developed the "Alkhir" charity card, where against each transaction done by the customer, KFH donates 0.5% towards those in need to fulfil their religious duty of visiting the Holy City of Mecca but are unable. AUB also followed the same approach through their "Zakat" credit card, which is a tailor-made prepaid credit card specifically for the beneficiaries of Zakat House, the organisation in charge of distributing Zakat money to the poor in Kuwait. Zakat is one of the five pillars of Islam, and is expected to be paid by all practicing Muslims who have the financial means. The beneficiaries of this card can use it in any of the "Sultan Centre" branches – the biggest hypermarket in Kuwait – to buy their groceries from the amounts paid to them by Zakat House through this card. The issuance of these cards is free of charge, as part of the social role AUB is playing.

The researcher concludes here that as an Islamic country that puts huge emphasis on religion, and because CSR is part of Islamic principles, organisations

in Kuwait have even more obligation to practice CSR than other countries. So, Islam pushes and encourages organisations to practice CSR in general, but that does not mean that the activities will be religious in nature. However, there is an increase in activities during the religious month of Ramadan where banks tend to do more work with society as a way of saying that they are part of the community and, therefore, should celebrate the month just as the community celebrates.

In terms of Islamic referencing, the research revealed that when religion is referenced within bank documents and websites, Islamic authorisation was utilised to legitimise CSR initiatives most of the time by six banks, while moralisation was utilised by only two banks. On the other hand, instrumental rationalisation was utilised by three banks. However, it is important to mention that some banks, such as NBK and Gulf Bank use two strategies to legitimise their CSR initiatives. NBK uses moralisation and instrumental rationalisation, while Gulf Bank uses both authorisation and moralisation. It is also of extreme importance to highlight that Islamic banks use only authorisation to legitimise their CSR activities. KIB, for instance, mentioned the following on their website: *“KIB’s CSR initiatives are based on Islamic Shariah”*. AUB also stressed the same in their 2011 annual report: *“Corporate social responsibilities are part and parcel of the Bank’s strategy as well as the teachings of Islamic doctrine”*. Boubyan Bank also mentioned that their CSR is *“a manifestation of the values of Noble Islamic Sharia’a which represents the guiding principles for all its business”*. Furthermore, KFH – as mentioned earlier – defines sustainability from an Islamic perspective by linking it to an Islamic phrase taken from the Quran: *“E’mar Al Ardh”* which means developing the land.

By looking at the findings resulted from the interviews and documents, one can conclude that both conventional and Islamic banks were observed to have conducted CSR initiatives that are religious in nature, such as developing the Zakat prepaid card (AUB), developing the Quran Application on Apple devices (KFH) for free, hosting Iftar feasts for poor people in Ramadan (Boubyan Bank). Yet, conventional banks also engaged in similar activities, such as NBK which led an annual field trip for workers who wished to perform Umrah, the lesser pilgrimage to Mecca, and the Commercial Bank campaign during the holy month

of Ramadan which encourages customers to use their credit cards and benefit charities at the same time, where part of the net profit will go to an organisation for Down Syndrome and the Center for Child Evaluation and Teaching. However, conventional banks' strategies to legitimise the claim of being a responsible organisation varied; although there was more emphasis on instrumental rationalisation to legitimise these activities.

The researcher also noticed that there was little emphasis by banks on Zakat, despite its association with various CSR terms, such as philanthropy, volunteerism, and ethics – which were mentioned extensively. The researcher also noticed that Ramadan appears in CSR reporting in a way arguably similar to Christmas in the West. Ramadan, the ninth month of the Islamic lunar calendar, is a holy time in the Muslim world, where all Muslims fast in commemoration of the first verses of the Quran being passed down from heaven to the Prophet Muhammad. It was seen that all banks in Kuwait conduct CSR activities that are related to Ramadan, yet, the difference is seen in how these activities are legitimised. For instance, all banks conducted breakfast meals for the poor community, yet, Islamic banks legitimise these activities from an authorisation perspective only, while conventional banks justify this activity from an authorisation perspective, a moral perspective, or an instrumental rationalisation perspective, by highlighting the benefits of serving the community.

In conclusion, all banks in Kuwait conduct CSR activities that can be associated with being religious or Islamic. However, Islamic banks legitimise these CSR activities from an authorisation perspective, while conventional banks focus more on instrumental rationalisation by stressing how the society will gain from these activities.

#### ***4.2.1.6 Banks' opinion on ways of improving CSR policy and practice***

The researcher here intended to gather the opinions of decision makers, since they are the subject matter experts on how to improve CSR in the banking sector in Kuwait. The researcher believes that the inputs received can be generalised, not only to other industries in Kuwait, but also outside Kuwait.

Four out of six interviewees mentioned education to increase awareness among the public of what CSR is and its benefits, as a way to improve CSR. The decision maker representing KFH stressed that education of the importance of CSR should start at school and at an early stage, while the interviewee representing ABK highlighted the importance of having senior management better educated about what CSR could achieve for the bank because:

*“If the decision makers are better educated about it, they will believe in it, and when they believe in it they will decide to give more money to the community, and once you do that CSR will improve. And only then you will have people wanting to join an organisation over another because they do so much in CSR.”*

The researcher believes that this explanation shows how education and more awareness of CSR will affect all stakeholders at all levels and hence, should be given serious consideration. Moreover, two interviewees highlighted the importance of establishing an independent CSR entity to monitor CSR guidelines to ensure that CSR in its true meaning is being practiced, as well as to maintain the quality of CSR. In that regard, the researcher understood that the Kuwait Banks Association (KBA) recently considered creating a new committee for CSR which may be considered as a good start towards having a single venue for all banks to combine efforts and coordinate activities. Furthermore, standardisation of CSR reports, as well as having a unified framework of CSR, were also mentioned as ways of improving CSR.

Furthermore, when interviewees were asked if they would like to add any more input, only two interviewees provided additional information;

The interviewee from KIB stressed that CSR in Kuwait is still looked at as an accessory to look beautiful, but not a need and that it is still a *“wish list rather than a to do list”*. The researcher believes that this has to do with the low level of awareness which many interviewees stressed during the process of the interviews.

The second interviewee who represents KFH talked about a new trend that he has witnessed, which arose after the start of the financial crisis when companies started to become very selective in CSR activities and rely more on non-cash resources, such as volunteering. He believes that the financial crisis has made

organisations think differently and be more creative, so as to come up with initiatives through utilising all non-cash resources. The researcher has witnessed this shift towards activity of less cost, but with long-term results such as awareness workshops, health campaigns, and many more.

#### 4.2.2 Employees' perspective of CSR

This section will present the findings obtained from the interviews conducted with the employees working in the Kuwaiti banks. As explained in Chapter 3, ten employees were selected from eight banks, by using snowball sampling. The researcher tried to cover the banks that were absent in the decision makers' interviews by interviewing employees from these banks. Moreover, the distribution of the banks in terms of conventional and Islamic was even. The table below shows interviewees' banks, each interviewee was given a code for easier reference in the discussion.

Respondents	Bank
E1	Burgan Bank
E2	Boubyan Bank
E3	Commercial Bank of Kuwait (CBK)
E4	Gulf Bank
E5	Kuwait Finance House (KFH)
E6	Boubyan Bank
E7	Ahli United Bank (AUB)
E8	Burgan Bank
E9	Kuwait International Bank (KIB)
E10	Burgan Bank

**Table 4.2: Employees' Banks**

Table 4.3 shows the age distribution of the participants.

Age	Number of Interviewees
25-34	4
35-44	3
45-54	3

**Table 4.3: Age distribution**

As for gender distribution, seven males and three females were interviewed. Furthermore, to enrich data, the researcher made sure that all job levels were covered to investigate the level of CSR communication, and see if CSR practices are communicated across the entire bank. Also, the researcher gave more attention to junior employees, to investigate whether CSR application in their bank affected their decision to join the bank by making it an employer of choice, since senior executives may have joined the bank before the inception of CSR in their banks. Table 4.4 shows job level distribution.

Job level	Number of Interviewees
Junior employees	5
Middle management	3
Executive seniors	2

**Table 4.4: Job distribution**

It was important for the researcher to know the number of years of service of interviewees in their banks, and see the difference in their perception of CSR practices based on the years spent in the bank – 50% of the interviewees had from one to three years of service in their banks, and the rest had more than that.

Interviewees were asked to specify the reasons that made them decide to work for their banks, as the researcher wanted to see if being a socially responsible bank would be a reason for any of them to join. However, none of the interviewees mentioned this as one of the reasons. The most frequent reasons were the incentives provided by the banking sector in general, the sense of accomplishment in this sector, and a better job offer.

Five themes were identified: CSR understanding and definition, influence of CSR on employees' attitudes and decisions, impact of financial crisis on employees' understanding and perception, impact of Islam on employees' understanding and perception, and employees' opinion on ways of improving CSR policy and practice

#### ***4.2.2.1 CSR understanding and definition***

To investigate the level of understanding of what CSR is, as well as examine employee awareness of how their banks define CSR, four interview questions were asked in that regard (see Appendix 3). Firstly, employees were asked if they



are familiar with the term corporate social responsibility so as to learn, in the first place, whether the employee being interviewed knew the meaning of CSR. Interestingly, all interviewees were aware of what CSR means. Then, the researcher wanted to know how employees describe CSR in order to get an understanding of how people in Kuwait define it. From the definitions provided, it was clear that there is a common understanding of what CSR is all about among different levels of employees interviewed. (E7) defined it as:

*“How the companies care about the social aspect in their community. I see it as an obligation each company should meet. It is also aiming not only for profit but also for the health being of the community we are operating in.”*

(E9) saw it as, *“participating in social events and supporting the society by different means, whether financially or non-financially”*, (E1) defined it as, *“donating directly or indirectly through the support of certain and selected initiatives in society”*, while E5 said *“making a positive contribution to society by integrating social and environmental issues into the operations of the organisation”*.

(E6) stated it to be:

*“... the company’s positive impact on the community, the social responsibility of the companies to the community, trying to make a difference to mainly increase publicity and affect customers’ perceptions positively.”*

(E2) said CSR involves, *“the activities done by the bank for the benefit of the customers. It might not involve financial returns but it increases customers’ loyalty.”* Hence, one can conclude that there is a clear understanding among employees across different job levels and ages of what corporate social responsibility is all about. However, it is interesting to see the perception of CSR by a few interviewees as being to serve customers only, and not other stakeholders.

The third interview question asked if the employees have a CSR programme in their banks, all interviewed employees answered that they have a CSR programme in their bank. However, when asked if they know how corporate social

responsibility is defined in their banks, only two interviewees were able to state the definition of CSR, and the rest were unable to provide the definition. However, many of the interviewees stressed that although they were not aware of the definition, they were able to talk about the activities undertaken, channels used, and the banks' goals when practicing CSR. Many interviewees mentioned that the definition itself was not communicated to employees as much as the activities undertaken.

#### **4.2.2.2 Influence of CSR on employees' attitudes and decisions**

##### **CSR communication**

In an attempt to investigate the level of communication of CSR activities – whether the banks are good at informing the stakeholders of their activities – and the communication channels used for this purpose, the employees were asked to give examples of CSR activities in their banks, and to explain how they know about these activities in their banks.

All employees were able to give examples of some of their CSR activities. It was interesting to see some examples that had already been shared with the researcher when interviewing the decision makers, such as the activities dedicated for the holy month of Ramadan when the banks establish tents for fasters to breakfast before their fasting. It was also interesting to know about the activities conducted by the banks that were not brought up in the decision makers' interviews, and which helped the researcher to further visualise the scope of their CSR. For example, the interviewee from CBK (E3) mentioned: *“we have participated in the Ministry of Interior's campaign to fight drug addiction, in addition we also espoused the census conducted by the Ministry of Planning last year”*.

The way CSR is communicated to employees and the channels used appear to be the same in all banks, such as emails, monthly newsletters, and announcements on bulletin boards and the intranet. Many employees mentioned that they have received emails from the concerned department asking for volunteers during an event. On the contrary, two employees from two different banks mentioned that they know about CSR activities from newspapers and press releases and not

through internal communication. Both employees had the same concern about not giving internal communication the same attention as external communication.

Employees were asked to specify the motives that drive their banks to exercise CSR to investigate their awareness of possible banks' drivers, it was interesting to see that all the interviewees agreed that their banks should exercise CSR, although a few did not know the motive driving their bank to specifically exercise it. Various possible motives were shared, but the most frequent driver mentioned by employees was to participate in the support and development of the community and to have a better society. The second frequent motive shared by a number of interviewees was to have a positive image and better branding:

*"I think the main aim is to have a positive impact on the society or let's say receive a positive perception, so it is to beautify our image in the society and to show that we care."*

Other motives were shared, such as competition, as the interviewee from AUB (E7) explained, *"we cannot not do what other banks are doing"*. Another employee (E9) agreed with this opinion, saying: *"to follow the footsteps of other banks that are really pioneering this activity in Kuwait. These banks are doing it with clear aims, while the rest are only following"*.

Motivating existing employees and attracting new ones was also mentioned, as well as satisfying customers and having a positive impact on the bottom line, as (E1) explained:

*"CSR activities are only to create a reputation of being socially responsible and this will have a positive impact on how they are perceived by customers, if the customers are satisfied, then there is more business and more profit generation"*.

Hence, one can conclude that there was no common agreement among employees on motives that drive banks in Kuwait to exercise CSR.

### ***Employees' attitudes and decisions***

Several questions were asked to discover the relationship between CSR and the employee's perception of the bank as well as employment decisions. Moreover, the researcher wanted also to test the level of awareness of employees of the

CSR activities conducted in their banks, and the level of engagement. There was a variation in terms of the effect of CSR on employees' perception, the interviewees who agreed that CSR affects their perception of the bank justified their responses by explaining that CSR is a positive initiative and any positive initiative will create positive perceptions. Having CSR also brings fulfilment as (E7) mentioned, *"it makes me feel proud of my bank and proud to work in it"*. In their article, *The Contribution of Corporate Social Responsibility to Organizational Commitment*, Brammer et al. (2007) demonstrated the role CSR plays in improving employees' perceptions of the company they work for. They concluded that employees are more proud of and committed to the organisation that has CSR because their personal identities are partly tied up in the companies that they work for. Hence,

*"If the company is saving the world, I am too, so my association with the company reflects positively on me and makes me feel good about the work I do for the company"* (Brammer et al., 2007:1713).

On the other hand, the employees who did not feel that CSR would affect their perception of the bank either believed that CSR is a must and not an option, hence should not be a defining factor for their perception, or believed that their CSR is done just for publicity and that is why it has no affect.

When asked to describe CSR activities carried out in their banks and are employee related, all interviewees agreed that their banks have CSR activities oriented towards the employees, many examples were given such as training programmes, town halls and employee gatherings, flexible working hours, breast cancer awareness campaigns for female employees, blood donation campaigns, incentive schemes, inviting employees to volunteer in social activities that the banks conduct for customers and other stakeholders, sport activities such as football and bowling, honouring longest serving employees, and health insurance (mentioned several times by many of the interviewees). It is worth noting that only a few private sector companies in Kuwait offer health insurance, as it is not mandatory in Kuwait since all health services are offered to citizens for free. However, government health services are of poor quality compared to what private hospitals offer, yet private hospitals are very expensive. Hence, the health insurance provided by banks to offer the best health services in private hospitals is much appreciated by employees.

To investigate if CSR makes the bank an employer of choice, the interviewees were asked to provide their opinion if having a CSR strategy affected their decision to join their banks, by looking at the responses, the researcher can conclude that having a CSR strategy did not affect the employees' decisions to join their banks and did not make any bank an employer of choice. The decision to join the bank was most of the time due to the job offered, along with the compensation and benefit package. Few interviewees mentioned that when they joined their banks CSR was not introduced yet and so did not have any effect on their decision to join, or they were not aware at that time that CSR activities were conducted in their banks.

Furthermore, the researcher asked a question at the beginning of the interview regarding the reasons that led interviewees to work for their banks, to see if there was any alignment between both questions; the answers to both questions were in harmony. One of the responses was worth highlighting: *"I suspect that a candidate will refuse a job offer because the organisation does not have CSR. You know how difficult it is nowadays to have a job"*.

The interviewees were also asked if having CSR motivates them to continue working for their banks, It was interesting to see that although having CSR does not make the bank an employer of choice and did not affect employees decisions to join the bank; it motivates them to continue working for their banks. This was also discussed by Brammer et al. (2007), where the positive relationship between being a socially responsible organisation and employees' organisational commitment was discussed, as was their tendency to be more satisfied and motivated to continue.

To investigate whether the bank is communicating CSR activities and is inviting employees to participate, the interviewees were asked if they ever engaged in CSR activities in their banks – eighty percent of the respondents agreed that their banks always announce CSR events and ask for volunteers. However, only fifty percent of the respondents mentioned ever being engaged in such activities. The example of Ramadan breakfasting was again mentioned several times, due to its huge scope and the attention given by the banks for this activity. Moreover, this activity specifically requires a lot of resources to be used to organise and

streamline feast distribution. The researcher believes that employees give it more devotion by volunteering, because it is part of the good deeds they have to do as Muslims during the holy month of Ramadan.

It is interesting to see that sixty percent of the interviewees saw the importance of being engaged in CSR activities and for various reasons; the interviewee (E3) mentioned that it is for not only a good cause, but also an opportunity to bond with employees and work together. (E8) said: *“it makes me feel good”*, while (E4) mentioned that participating in social activities with other employees removes any tension or friction caused by work.

The interviewees were asked if engaging in CSR activities motivate them to continue working for their banks, it was clear that the employees who believe it is important to be engaged in the bank's CSR activities are the ones who believe that such engagement motivates them to continue working for their banks. When asked about the method of appreciation by the bank for the employees who participate in CSR activities, all interviewees who engage in CSR activities agreed that the way banks appreciate their contribution is either through appreciation letters, certificates, and/or cash incentives in some cases.

As for working in an organisation that does not have CSR, seventy percent of employees said they would not mind working for an organisation that does not have CSR. (E2) explained:

*“CSR is something you wish to have in an organisation that you work for, it gives you a positive feeling towards your employer. But at the end of the day, if I receive a very attractive job offer, I will not decline it because the company does not have CSR”.*

Three other interviewees agreed with the same opinion that they would not decline an offer from a company because it does not have CSR, as (E8) mentioned: *“there is always a reason to start it if one does not have it”*. (E1) said: *“I don't mind as long as it is the right job for me”*. (E6) mentioned: *“with the scarcity of jobs in Kuwait, of course I would not mind”*

As for the employees who would mind working for an organisation that did not have CSR, the main concern was that such companies would not take care of their

employees as much as socially responsible organisations. Hence, *“why join them if I am not seen as an asset to them”*.

#### ***4.2.2.3 The impact of the 2008 financial crisis on employees’ understanding and perceptions***

It was seen that when the employees were trying to explain what CSR is and what is their view of it, and how it is defined in their banks, none of them mentioned or referred to the financial crisis and how banks react to it. Also, none of the employees- when asked to give examples of CSR activities that they can recall- mentioned any activity that was introduced by the banks in response to the financial crisis such as the seminars conducted by NBK that aims to better understand the crisis and how to deal with it, the educational programs developed by ABK on how to manage your money, or the Kuwaitization initiative which was led by the banks to recruit Kuwaitis and help in reducing the unemployment problem. This suggests ineffectiveness of banks in communicating their efforts in solving problems resulting from the financial crisis, it also suggests that the financial crisis did not have an impact on employees’ understanding of CSR and perception. However, when the employees were asked if having CSR makes the bank and employer of choice, many mentioned the difficult current employment situation after the financial crisis, and that it is very difficult to find a job. During the global financial crisis, a lot of workers were laid off from different sectors including the banks, and the unemployment rate in Kuwait rose to the highest. That is why, accepting a job because the employer is socially responsible was not considered. It was clear that the financial crisis affected the priorities of the employees in terms of job features where they demand a secured job, a steady and consistent salary, as well as the attractive benefits the banking sector offers such as the medical insurance, incentives, stock options, and free interest loans. Therefore, it was not the right time to have CSR as a defining factor. One can say that the priorities in what to expect from the job or the employer has changed as a result of the crisis.

#### ***4.2.2.4 The impact of Islam on employees’ understanding and perceptions***

By looking at the employees interviewed, and as mentioned earlier, fifty percent of them work in Islamic banks. Yet, only two employees mentioned that the decision to join their banks was due to their preference to work for an Islamic institute. It is

worth mentioning that one of those two employees (E5) explained that his decision to favour an Islamic bank is because, at the time of his graduation – more than twenty years ago- the Islamic banking concept was introduced, and was expected to expand and grow. Thus, he saw this as an opportunity for him to grow too. Therefore, the decision was not based on religious beliefs or desire to work in accordance with Sharia principles, but rather, an opportunity to be one of the first people to join this new concept and grow as it grows.

When looking at how employees understand and define CSR, it has been seen that both employees of conventional and Islamic banks have the same understanding of what CSR is, and no significant difference has been noted in the way they explain CSR or perceive it. Moreover, no referencing to Islam and its teachings- which encourages giving back to the community- was mentioned when defining CSR from their point of view. However, when the interviewees were asked to recall some of CSR activities carried out by their banks, it was noticeable, that the most recalled activities were the activities conducted during the month of Ramadan such as the free “Iftar” meals which Muslims have, to break their fast in the evening during the Islamic holy month of Ramadan. This observation was seen in both employees working for conventional and Islamic banks. Also, it has been seen that employees’ engagement in such activities are higher, and also from both banking systems. As explained earlier, employees give such activities more commitment, as part of the good deeds they have to do as Muslims during the holy month of Ramadan. Therefore, they consider these activities as an opportunity to fulfil their duties as Muslims. The researcher who was engaged a number of times in the organization of prayers and “Iftar” banquets during the month of Ramadan at the mosques, witnessed the huge number of employees volunteering in these activities. One can say that such activities are close to the heart of Muslims and that is why they are keen to participate in them.

#### ***4.2.2.5 Employees’ opinion on ways of improving CSR policy and practice***

The interviewees were asked to give their opinions about CSR practices in their banks and to recommend ways of improving CSR. Four interviewees from four different banks believed that their CSR is the best not in the country, but in the region. (E7) mentioned:



*“I think we made a good remark in the Kuwaiti society as well as globally, this is because although the terminology of CSR is new, we have been a great contributor in many social concerns for more than 70 years”.*

(E5) also said,

*“... if we are not the first bank in this, then we are probably the second. Not within the banking sector but within the private sector as a whole. I know that we have been recognised internationally for our programme.”*

On the other hand, two interviewees from two different banks believed CSR in their bank to be all about *“publicity and propaganda”* and not what CSR is supposed to be. (E1) believed his bank to be just following what other banks are doing without having a clear CSR strategy.

Different opinions were raised on how to improve CSR in the banking sector in Kuwait; many interviewees believed that banks need to ensure better communication internally and externally to increase stakeholder awareness. One interviewee suggested including the CSR strategy of the bank as part of the induction programme to new recruits, to ensure their awareness.

Other suggested ways of improving CSR were to ensure that not only one department carries out CSR activities, but to have integrative CSR across the whole bank and in everything that employees do. Having participation in social activities as part of the employee performance assessment was also suggested as a way to improve CSR: *“through this you encourage employees to participate and slowly it will become part of their routine to pay back to society”*, (E9) claimed. Caring for the environment was another subject that was raised by one of the interviewees who believes that his bank does not support the environment.

It is worth mentioning that there was clear evidence that younger employees did not believe their banks to be doing the right CSR, in contrast to the older employees who were more proud of their CSR. Younger employees believed that CSR needs to be communicated properly and said that most of the time they were unaware of the activities taking place, they also believed CSR in their banks to be more for publicity and to maintain brand image, rather than really giving back to the community – and environmental causes were absent from their point of view.

The researcher believes that being involved in the development and implementation of CSR strategy makes older employees more aware, prouder of the practices and more engaged because it is of their own creation.

#### 4.2.3 Customers' perspective of CSR

The last set of interviews were conducted with the customers of the Kuwaiti banks, in order to investigate customer awareness of what CSR means and what it aims for. The interviews also sought to understand the effect of CSR on customers' decisions and expectations. Fifteen customers were selected using the snowball sampling technique, from which 73% were customers of conventional banks. As explained earlier, this is due to the huge market share of the National Bank of Kuwait – the biggest conventional bank in Kuwait and the most favourable bank among customers. The table below exhibits the bank of each customer; each was given a code for easier reference in the discussion.

Respondents	Bank
C1	Ahli United Bank (AUB)
C2	National Bank of Kuwait (NBK)
C3	Boubyan Bank
C4	Kuwait finance House (KFH)
C5	Burgan Bank
C6	National Bank of Kuwait (NBK)
C7	National Bank of Kuwait (NBK)
C8	Gulf Bank
C9	National Bank of Kuwait (NBK)
C10	Burgan Bank
C11	National Bank of Kuwait (NBK)
C12	Commercial Bank of Kuwait (CBK)
C13	National Bank of Kuwait (NBK)
C14	Kuwait Finance House (KFH)
C15	National Bank of Kuwait (NBK)

**Table 4.5: Customers of the banks**

As can be seen from the above table, NBK represented almost 46% of the sample. The researcher believes that being the first bank in Kuwait gave NBK an

opportunity in terms of market share; the bank is available in almost every area and every neighbourhood.

The researcher tried her best to ensure the sample reflected the market share of banks in Kuwait, as well as had a very close reflection of male/female representation in the bankable population. In terms of age distribution, the researcher tried to cover all bankable ages to see if the perceptions and expectations of CSR practices differ with age. Table 4.6 shows the age distribution of the participants.

Age	Number of interviewees
20 – 29	5
30 – 39	4
40 – 49	3
50 – 59	3

**Table 4.6: Age distribution**

It is worth noting that customers of the age 20 to 29 age band were more willing to participate, especially when they were informed about the topic of research, which indicated their personal interest in this subject. This was expected as CSR topics are gaining more interest from the young than from middle-aged customers in Kuwait. As for gender distribution, five males and ten females were interviewed.

Table 4.7 shows the relationship length among customers.

Relationship length	Frequency
1 – 5 years	5
6 – 10 years	3
11 – 15 years	3
16 – 20 years	1
20 years +	3

**Table 4.7: Relationship length**

According to the above table, there was no significant difference in relationship length, which means that one cannot indicate if customers in Kuwait tend to shift between banks or not.

Customer interviews covered five themes which will be discussed below.

#### **4.2.3.1 CSR understanding and definition**

Customers were asked if they are familiar with the term corporate social responsibility, and if they can explain what it is. The aim was to test the level of CSR awareness among customers as well as investigate whether the customers know if their banks practice CSR or not. Eighty percent of the interviewed customers were positive that they knew what CSR meant, while twenty percent believed that they could “guess” or “thought” they knew what it meant, or they knew “a little bit” of what it means. None of the customers showed that they did not know what CSR means. This is a good indication that there is quite good understanding of what CSR is in Kuwait. When customers were asked to elaborate upon and explain what CSR is, it was found that all of the interviewees were able to provide a definition of CSR. Although their definitions may not cover all aspects of CSR, they point to a good and solid understanding of the term and its aims. The following excerpts show some of the customers’ definitions:

*“CSR is when organisations act ethically towards their stakeholders.”*  
(C1)

*“It is when corporations contribute to serve the society, whether this contribution is financial or not. This contribution might be a scientific contribution or healthcare contribution, such as building hospitals, or educational contribution like donating to support educational initiatives.”*  
(C6)

*“CSR is giving back to the society.”* (C3)

*“The activities carried out by institutions that benefit the society.”* (C11)

*“Using the profits of corporates to serve the society.”* (C2)

*“CSR is the responsible business. When business acts responsibly and transparently.”* (C13)

*“It is when the businesses have an impact not only on economy but also on individuals, communities, environment, everything.”* (C8)

*“It is about an organisation’s commitment to behave ethically, improve the quality of society, and meet stakeholders’ expectations.”* (C9)

Moreover, ten of the customers were confident that their preferred banks have CSR programmes, while the rest were hesitant as to whether the current practices of CSR meant that there was a clear programme with clear expected deliverables. Below are the responses of customers who were hesitant, the reason for displaying these is to show that although they were not sure of the existence of a CSR programme, they were aware of certain activities that run under the name of CSR:

*“I remember some activities that are meant to be social, but I am not sure if they have a CSR programme.” (C8)*

*“I am not very sure if they have a CSR programme, but I know that they donate.” (C4)*

*“I don’t know, I just remember that they have some social activities when it’s a prosperous year, they do apply such a thing between once and a while.” (C15)*

*“A programme? Maybe not, but I have seen some events happening that aim to have an impact on society.” (C9)*

From the responses above, it is clear that some of the customers view the activities run by companies as ad-hoc activities, and are not sure if their banks have a solid CSR programme or a CSR strategy. This suggests that banks are communicating their activities more often than communicating their CSR vision, strategy, and commitments. This makes the customers consider these activities as more public-relation related, event based, or tactical rather than strategic.

Furthermore, customers were asked to give examples of some of their preferred bank CSR activities. Seventy-three percent of interviewees were able to name some of the CSR activities, while twenty-seven percent were unable to name any activities. Many examples were given of CSR activities, such as the “Almas” reward by Burgan Bank for disabled children, which is an annual event that the bank hosts to reward the achievements of disabled children, the Kuwaitisation initiative – mentioned by many interviewees – that is run by many banks in Kuwait to ensure the provision of recruitment and development to Kuwaiti employees, and Ramadan banquets for underprivileged, which is also a common activity that banks do every year during Ramadan. When asked about how customers know

about the CSR activities carried out by their banks, the majority of interviewees mentioned newspapers as the channel that communicates their preferred banks' CSR activities. A few of the interviewees mentioned advertisements, social media, and bank e-newsletters.

#### **4.2.3.2 Influence of CSR on customers' attitudes and decisions**

To understand customers' perception of a socially responsible organisation, and to see whether their perceptions are applicable to what their banks are doing under the name of CSR, customers were asked to provide their opinion on which areas should banks focus upon more to contribute to society. Education in the form of scholarships was mentioned many times as an area that banks should focus on. As (C2) mentioned:

*“In these times scholarships will benefit the most. But scholarships should be in areas that are really needed for the country and not the regular and easy studies that the majority take.”*

It is worth noting that education in Kuwait is a major concern to citizens because public education deliverables in Kuwait are not meeting expectations, which has made them demand from the government a full review of the curriculum. More and more families in Kuwait are enrolling their children into private schools, as they believe they offer a better education.

The interviewees also stressed solving unemployment, which is a national problem that the government is trying to solve by enforcing the Kuwaitisation initiative on private sector companies. In the banks, for instance, the government demands to have Kuwaitis represent at least 60% of the workforce. However, companies in Kuwait prefer to have inexpensive workforces – particularly from Asia and North Africa – which the government currently is trying to stop. (C2) mentioned:

*“The first thing to do is to contribute in the employment of locals. The private sector in Kuwait in general should have a contribution, this should be no longer a role that is only played by the government. I see this as a social responsibility of the banks to show that they feel the unemployment of locals and they are participating to solve it.”*

It is worth noting that the financial crisis has resulted in an unemployment problem in Kuwait where affected companies – in a move to cut costs and speed their recovery- laid off a lot of workers.

Furthermore, saving the environment was also an area that customers demand the banks concentrate on, and believe that organisations in Kuwait, in general, are neglecting this area. (C5) highlighted this matter by saying:

*“I don’t think Kuwaiti companies, even the ones that are known to have CSR are giving much attention to the environment. I am sure banks have a lot of paperwork, it would be of great benefit to work on recycling these papers. Maybe my bank does that, I am not quite sure, but if they don’t, I think they ought to do.”*

It is worth stating that environment and sustainability concerns were raised by the interviewees aged between 20 and 30, which is the age that has an increased awareness of sustainability in Kuwait, due to their exposure to sustainability issues from the internet and social media.

Since the researcher works in one of the banks under study, and is involved in executive management decisions, she is aware that banks in Kuwait have clear and focused initiatives in relation to education and unemployment, but seeing that customers are unaware of these initiatives indicates that communication of such initiatives is not efficient. As for environmental concerns, banks are in the developmental stage of incorporating sustainability to their CSR programmes.

In addition, customers were asked to provide their opinion of possible motives that drives their banks to exercise CSR. The main motive for exercising CSR from a customer’s point of view is to meet the expectations of various stakeholders and to demonstrate their commitment to them. As (C7) mentioned:

*“Now the stakeholders are more educated and have social concerns. Customers for instance will be pleased to know that their bank cares about the society and is acting ethically.”*

Other drivers were also mentioned, such as marketing and PR purposes, indirect ways of generating profits, and to look better. It is interesting to see that all the interviewees agreed that banks should exercise CSR to serve the community

because this is part of their obligation and because they are an important part of the society.

Customers were also asked about the importance of having CSR in the banks, and it was interesting to see that all participants agreed that it is very important for the banks in Kuwait to exercise CSR. As (C14) elaborated:

*“Having CSR is very important, because the banks deal directly with people on a daily basis. Hence, if the people do not feel that there is a mutual benefit between both parties, and that the bank is not only a place where I deposit my money into, and they benefit from my money, instead, the person should feel that the bank is also providing him with other benefits. The customer should feel that he is a stakeholder in this bank, he should feel of ownership even if he is not a shareholder. I think this kind of relationship can be built through CSR.”*

The majority of interviewees also agreed that CSR is important to them as customers. Yet, having CSR did not affect their decision when choosing their bank. Hence, having or not having CSR is not within their selection criteria when choosing a bank. However, it makes them appreciate and value their bank more. Many of the interviewees mentioned other reasons for selecting the bank of their choice, such as being an Islamic bank, being forced by their employer to have their salary transferred to a specific bank due to corporate relations between the employer and that bank, being close to their homes or offices, and superior customer service. It is worth pointing out that many of the interviewees highlighted the fact that they chose their preferred bank even before banks adopted CSR, which eliminates having CSR as a criteria for selection, knowing that it was only introduced in Kuwait seven years ago.

Moreover, customers were asked if they participate in CSR activities, and it was clear from customer responses that they do not engage and participate in CSR activities carried out by their banks. Many stressed that their banks need to better communicate these activities for them to know about and participate. (C9) said:

*“Banks should focus more on customers’ engagement. Only a few times have I seen my bank inviting us to participate; such as the marathon that they run every year and the breast cancer awareness campaign*



*which I knew about when I was in the mall and saw the booth coincidentally”.*

(C10) mentioned that he always has interest in participating and volunteering in social activities, but with other organisations and not with his bank, whom he believes is not inviting or encouraging its customers to participate. Moreover, many customers mentioned that they came to know about their preferred bank's CSR activities by coincidence and not through proper communication channels. It was evident that there was a communication gap in that regard and it was highlighted many times by the interviewees that they only knew about social initiatives through press releases in the newspapers after conducting the activity and not before, and that if they had the chance to know about it beforehand, they would definitely participate. This also clearly indicates that customers in Kuwait have an interest in participating in social causes if they are informed in advance.

In terms of having a good perception of their preferred bank and the reasons that made customers have this perception, the researcher tried during the discussion to mention CSR and ask if it was one of the reasons. However, it was evident that CSR was not one of the factors that made customers have a good perception about their banks, and that other factors, such as customer service, proximity, Islamic products, innovative offerings, and trust were the reasons for good perceptions about banks. The researcher believes that despite the interviewees' beliefs that these factors are not related to CSR, they are in fact indirectly related to being a socially responsible organisation, since catering to customers' needs and requirements as stakeholders is an important pillar of CSR.

#### ***4.2.3.3 The impact of the 2008 financial crisis on customers' understanding and perceptions***

When looking at table 4.7 which presents customers' relationship age with their banks, it is evident that the majority of customers have a long relationship with their banks, this relationship started before the financial crisis and continues to date, which means that the crisis did not push them to shift banks. This suggests that there was no significant impact of the financial crisis on customers' decision in terms of whom to bank with.

However, it was noticed that the words “ethics”, “ethical behaviour”, “transparency” were mentioned by the customers when they define CSR. As discussed earlier, these terms started to emerge after the financial crises as stakeholders started demanding more transparency and ethical conduct in business operations. Also, when customers were asked to identify the factors that made them choose their preferred bank, one of the factors mentioned repeatedly was “trust”. As literature revealed, the financial crisis has shaken the society’s trust in the financial system especially that one of the big banks in Kuwait caused severe losses to shareholders as a result of dealing with derivatives in an irresponsible manner. As a result, customers are now looking at trust and confidence when they choose their preferred bank. It has been seen that customers expect from CSR programs to contribute in solving social problems resulted from the crisis such as the high unemployment rate which was at its peak during the crisis. It was evident that customers were not aware of their banks’ efforts in solving this problem or other problems that resulted from the financial crisis. This suggests lack of communication with customers and the possibility that banks are not choosing the right communication strategy with their customers.

#### ***4.2.3.4 The impact of Islam on customers’ understanding and perceptions***

As discussed previously, seventy-three percent of the sample was customers of conventional banks which reflect their market share in Kuwait as the country is known of being liberal and more open than its neighbours. Therefore, one can say that conventional banks in Kuwait are more favourable due to their presence for a long time and the good reputation they built. Another significant finding is that none of the customers of Islamic banks have chosen their banks because of their Islamic dealings and products; it has been found that the customers have chosen Islamic banks due to their proximity, customer service, trust and other reasons that are not related to religion. Therefore, banking with an Islamic bank does not imply the religiosity of customers.

When looking at how customers understand CSR and define it, it was evident that both customers of conventional and Islamic banks have the same understanding and perception and neither of them referred or linked the instructions of Islam in

enhancing the quality of the lives of Muslims in their discussion of corporate social responsibility and their expectation of it.

The findings related to CSR activities is very similar to the findings related to the employees; the religious causes and activities are recalled better than other CSR activities. This is due to the closeness of such activities to the heart of Muslims as mentioned previously. Yet, this did not encourage customers to engage in these activities, as the findings revealed, the customer engagement was low.

#### **4.2.3.5 Customers' opinion on ways of improving CSR policy and practice**

Customers were requested to address their opinion on the most socially responsible bank in Kuwait, as well as their view on CSR practices carried out by their preferred bank, and what they wish to see in terms of CSR that they are not seeing today. The majority of interviewees agreed that NBK is the most socially responsible bank. It was very interesting to see that customers that chose a different preferred bank to NBK, also nominated NBK to be the most socially responsible bank in Kuwait. This again confirms that having CSR is not one of the measures when selecting the bank of choice. NBK was the first bank to introduce CSR, not just in the banking sector, but also within the whole private sector. Moreover, their CSR budget is the largest among Kuwaiti corporations and perhaps in the Middle East, and is \$35,000,000.

In terms of assessing corporate social responsibility in their preferred banks, it appeared that there is still much to do in the field of CSR, where many customers see this experience as still under development and that banks have to emphasise their footprints in this field. As (C3) commented:

*“If we compare this experience with a Western experience, we will see that the understanding of CSR is still in the development phase. There is a lot to be done in this area”.*

The communication aspect as well as customer engagement and being more visible to stakeholders were also raised several times; many interviewees stressed the importance of improving communication of CSR activities for society and customers, to know and remember the CSR activities done by their banks. When asked about what customers wish their banks to focus on today, the following

ideas were suggested: sponsoring talented people and supporting them to achieve their dreams; focusing on youth whether through sponsorships, recruitment, or scholarships; more engagement and communication with stakeholders; supporting environmental causes and sustainability; maintaining diversity in the workplace; and focusing on fatal disease research. The researcher found out that the most frequent need raised by customers was the support of youth, better communication with stakeholders, and sustainability.

This concludes the findings obtained from the three sets of interviews, and in the following section, the researcher will exhibit the overall findings of the research.

### **4.3 Overall findings**

After this thorough presentation of findings obtained from the three key groups, it is now clear how CSR is conceptualised and practically implemented in the banks in Kuwait. The following points summarise the findings briefly:

- There is a good understanding of CSR and what it means in Kuwait in general and among the stakeholders in this study in particular. Banks in Kuwait are very clear in defining their CSR objectives which are aligned with their overall corporate strategy. There has been an evolution of the concept of CSR in the banking sector in Kuwait, however, the year 2006 is marked as the year when CSR was first introduced.
- CSR in Kuwait is strategic and is incorporated within the corporate strategy. Most of the time, guidance and directions are given by the Chairman of the Board, which reveals that CSR is given a high priority in Kuwaiti banks. It was seen that competition between banks has affected the way CSR is implemented; where banks tend to follow each other in terms of their activities. Moreover, it was evident that the national direction dictates the type of activities conducted by banks and also affects their strategic directions.
- There were certain categories of initiatives that all banks tended to adopt, such as education, healthcare, and employment of nationals. As for CSR processes, many were being implemented, but were not considered as part of the CSR programme, such as investor relations, risk management, and corporate

governance. These processes were seen as part of compliance with external regulations, rather than being part of CSR. This indicated that the integrated concept of CSR is not yet fully understood in Kuwait.

- Banks exercised CSR for various reasons, such as responding to the increased demands of stakeholders, better brand positioning, increased loyalty of employees and customers, and to improve performance.
- The global financial crisis was seen to have a positive impact on CSR as it prompted the banks to start being more selective in choosing initiatives, and also created greater scrutiny towards accountability, transparency, and governance. From the employees' perspective, it was evident that the financial crisis affected their employment decisions where they seek to work for an organization that guarantees a secured job with good benefits as a result of the high employee turnover witnessed during the crisis. This made having CSR an option that is good to have but not a defining factor for job selection. As for customers' decisions, it was apparent that the crisis did not push them to shift their banks, yet, made them demand banks to be trusted and transparent in their transactions.
- Islam as a religion has an influence on the way CSR is exercised, especially during religious events and/or celebrations, in both conventional and Islamic banks. However, the way such religious activities are legitimised was observed to be different between Islamic and non-Islamic banks. In terms of Islam's impact on employees' perception and decisions, it was found that Islam does not affect employment decisions; yet, religious activities conducted by Kuwaiti banks are always recalled by the employees due to their engagement in these activities. As for customers' perceptions and decisions, it was seen that dealing with an Islamic bank was not a critical factor when choosing whom to bank with, and the understanding of CSR was the same among conventional and Islamic banks. The religious activities were easier to be recalled by customers due to their emotional attachment to these activities as Muslims, yet, the engagement of customers in these activities was low.
- In terms of the effect of CSR on stakeholders, it was evident that having a CSR strategy does not make the bank an employer of choice, yet, it does have an impact on customers' decisions in choosing their preferred bank. Moreover,

banks in Kuwait tend to use information communication strategies that have caused a lack of stakeholder awareness of CSR activities conducted, since one-way communication strategies do not engage and involve stakeholders in the dialogue. Furthermore, banks in Kuwait have neglected external stakeholders and only focused on internal ones.

A detailed evaluation of the empirical findings will be discussed in the following chapter, where findings will be used to answer the research questions and discuss the knowledge gap found as a result of the literature review. Moreover, the researcher will highlight how the findings of this research helped in closing this gap. In addition, the researcher will also draw recommendations that will suggest ways to improve CSR in the banking sector in Kuwait in the last chapter.

## Chapter 5: Discussion and Conclusions

This chapter presents a discussion based on the research questions and aim of the research. The conclusions derived from the analysis in the previous chapter will be discussed, the knowledge gaps will be closed by highlighting the significance of the research, and future possible research options will be highlighted at the end of the chapter.

### 5.1 Conclusions

The objective of this research is to obtain a better understanding of how corporate social responsibility works in practice in the Kuwaiti banks from the perspective of three groups: the decision makers of CSR in the Kuwaiti banks, the employees of the banks, and the banks' customers. By conducting this research, the understanding has been reached, and will be discussed and presented below.

#### 5.1.1 CSR definition and understanding

The research revealed that there is a good understanding of what CSR is in Kuwait. Interviewees were able to explain in their own words what corporate social responsibility relates to. There was common agreement that CSR is about *“giving back to the society”* which was the most frequent definition used by interviewees, in addition to *“donation”*, *“positive contribution to the community”*, *“acting ethically towards stakeholders”*, and *“responsible business”*.

When looking at CSR definition in the Kuwaiti banks, it was evident that each bank has a different definition of CSR. This varies depending on intercommunication to various groups in the society, to the commitment to the community in which the bank is operating, and finally being a pillar of corporate governance. This is in line with what was discussed in the literature review in terms of evolution of the CSR definition, and confirms the arguments of many authors, such as Dahlsrud (2006), Lantos (2001), and Sasse and Trahan (2007) who state that still there is no universal definition of CSR.

However, one can say that CSR in Kuwait started first with support activities to the communities in which banks were operating, then was extended to include various

stakeholders of the society, and then the last stage was the development of strategic CSR, which is an integral part of the overall organisational strategy and calls for a responsible business in all aspects of transactions.

Furthermore, it was clear that employees and customers of Kuwaiti banks were aware of the CSR programmes running in their banks and were able to give some examples of these programmes. Yet, they were not sure whether their bank had a solid CSR strategy, which suggests that banks are mostly communicating and announcing their CSR activities, but are not fully communicating their vision. This meant that stakeholders understood these activities as tactical PR activities, rather than strategic activities. Hence, despite the fact that CSR – as a term – has been in existence in the banking sector for more than eight years, it is still seen by stakeholders as an event-based activity that is applied once in a while.

#### **5.1.2 CSR conceptualization and practices in the Kuwaiti banks**

The integration of responsible practices in the Kuwaiti banks started earlier since their inception in the form of community services, but the term CSR started to appear in 2007 after the introduction by two major banks – other banks then followed the same concept. From 2008 onwards, other terms started appearing, such as “corporate governance”, “ethics”, “sustainability”, etc. The global financial crisis played a major role in prompting such terms to emerge, as stakeholders were demanding organisations in general and financial institutions in particular, to act responsibly and ethically.

The research revealed that CSR in Kuwaiti banks is strategic, whereby it is aligned to corporate strategy and, most of the time, the board of directors, along with the executive management, are involved in deriving the CSR strategy. Yet, deviations from CSR strategy were seen where sometimes the shareholders or board of directors interfere in choosing a project, or enforce CSR decision makers to participate in an activity not aligned with the CSR strategy, for various reasons that can be described as a relationship basis. This is expected in a country like Kuwait where relationships are still considered to be a main driver in the business environment. Deviation from CSR strategy is one of the challenges that CSR practitioners face, in addition to other challenges such as weak monitoring of CSR



results. None of the banks in Kuwait identified criteria to measure the effectiveness of their activities. Additionally, competition among banks meant they sometimes imitated each other's activities, rather than complementing each other to offer society a complete variety of solutions while maintaining their competitive edge.

While looking at the CSR department, it has been seen that CSR in all banks falls under the public relations department, which comes under the corporate communication department. This has helped in creating an aligned message to both external and internal stakeholders, since this department in all banks is in charge of communicating the CSR message as well as other initiatives. Moreover, the corporate communication department reports directly to the CEO, which makes decision making smoother, as well as gives direct involvement with corporate strategy. Unfortunately, it was found that none of the banks had a dedicated CSR department or a dedicated CSR professional, as public relations professionals tend to be the ones handling CSR activities. This is in line with a study made by the US Chamber of Commerce Civic Leadership Center (BCLC) in 2012, which described what they see as the current state of the CSR profession. According to their study, there is still a lack of a consistent definition of the corporate responsibility profession due to the classic "chicken and the egg" dilemma, where schools will not invest in a CSR programme if they do not see a demand, and businesses are still looking for clarity as to what CSR exactly means. Hence, this is a universal concern and the case of Kuwaiti banks is no exception.

Moreover, it was also evident that banks in Kuwait do not have proper reputation or crisis management/communication strategies in place that would help in dealing with or responding to any sudden changes in the social or political scene. So banks tend to react to such cases by increasing their CSR activities to send an indirect message that they care. Such reactions, in contrast to consistent messages to the public, have a negative impact, as they may convey the message that the bank is overreacting and is not sincere in its communication.

It is worth mentioning that all banks in Kuwait had received awards and recognitions for their CSR programmes, however in terms of what distinguishes banks from each other with regard to implementation, the research findings showed three factors: budgeting and allocated spending – which affects the scope

of CSR and its exposure; management belief in the role of CSR within the organisation and its impact on the brand value and corporate image; and having a clear identified framework for CSR that is communicated internally and externally.

In terms of CSR programmes and activities, there were similarities among banks in what was implemented as CSR: education, employment programmes, and health initiatives were the three common directions followed by all banks. In terms of CSR processes, seven processes were followed by all banks: community engagement, philanthropic activities, corporate governance, risk management, health and safety programmes, employee community involvement, and sponsorships. Little attention was given to environmental initiatives where most of the activities were in the form of tactical campaigns, rather than sustainable and long-term initiatives. This was expected, as public awareness of environmental concerns is very low in Kuwait, and not until recently, with the emerging youth generation of the market, has progress been seen on a national level. Hence, one can conclude here that banks are replicating each other in terms of CSR, and there was no differentiation in that regard.

Furthermore, the analysis of documents revealed a lot of interesting facts about bank approaches towards stakeholders in terms of CSR, for instance, there was a huge concentration on developing educational programmes for the local community, and this initiative was a common initiative that all banks were trying to deliver. The researcher believes that this has to do with the weak educational system in Kuwait, where banks are trying to fill the gap by offering alternative solutions. Moreover, the majority of the banks focused on product and service quality as part of their commitments to customers as stakeholders; the researcher believes that competition among banks plays a major role in this as each bank tries to differentiate itself based on quality of products and services. The document analysis also revealed that attention paid to suppliers and competitors is less important in the CSR strategy compared to other stakeholders, such as community, shareholders, customers, and employees.

It is worth mentioning that banks emphasised corporate governance, investor relations, and risk management in their communications, but this was not seen by the majority of banks as being part of their CSR programme. One can say that

banks are doing a lot of CSR as part of their compliance to local regulations, such as the Central Bank's regulations, but not all banks are aware that this is part of CSR. The researcher noticed while interviewing the decision makers that none mentioned these processes as being part of their activities, but the document analysis revealed that such processes do exist, but do not fall under the CSR umbrella. This suggests a lack of awareness from CSR decision makers of the broad framework of CSR, which has meant that they have missed the opportunity to communicate these processes to the stakeholders as part of their CSR.

When it comes to stakeholders, it has been seen that banks in Kuwait give more emphasis to internal stakeholders such as customers, employees, and shareholders, than external stakeholders such as media, government, and critics. The only possible reason is negligence of the importance of these stakeholders and lack of awareness of the fact that for any organisation to survive, it has to look after both internal and external stakeholders.

In terms of the contextual factors that affect the way CSR is exercised, the national direction was the major contextual factor, as the banks try to map their CSR activities to be aligned with community needs. This proves that banks do not work in isolation and that their CSR activities are tailored to meet the community's requirements. As for regulations that could govern CSR activities in the banking sector, it was found that Islamic banks only were forced to get approval from the Sharia Council before attempting to launch any CSR activity. As discussed earlier, this does not only apply to CSR activities, but all Islamic banks' activities need to be vetted and approved by this Council prior to execution.

When it comes to motives that drive banks in Kuwait to have a CSR program, it was evident that there was no specific motive driving all banks to exercise CSR. Many motives were addressed through the interviews and the document analysis. However, there was agreement among all interviewees that the main reason for exercising CSR is to meet expectations of stakeholders. This finding was also supported by the document analysis results. Moreover, other reasons were also mentioned frequently, such as better positioning of the brand, and the positive impact on the bottom line.

As for CSR communication strategy, banks in Kuwait use the information communication strategy – which is a one way communication strategy- by utilising various communication methods, such as press releases, brochures, social media, advertisements, annual reports, etc.

### **5.1.3 Employees' and customers' perception of CSR**

Although stakeholders of the banks believe that it is important for the banks in Kuwait to have CSR, as yet, CSR is not an important evaluation factor when making employment or banking decisions. However, having CSR motivates stakeholders to continue with their banks and makes them have a good perception of their bank.

It is very important to highlight the commonalities and differences among stakeholders in terms of their perception of CSR. First of all, it was clear that all interviewees had a good understanding of the term corporate social responsibility and all were able to interpret the meanings and aims. With regard to recognising CSR activities conducted by banks, it was also evident that there was unity among stakeholders' responses, where both employees and customers mentioned similar activities which were also highlighted by the decision makers. The interviewees also agreed on activities that must be given more attention by the banks, such as environmental initiatives, recruitment of nationals, and focus on youth. Also when looking at CSR drivers and motives, it was interesting to see that all stakeholders interviewed believed it to be important for the banks to exercise CSR. Furthermore, when it comes to specifying the possible motives that drive banks in Kuwait to have CSR, there was general agreement among stakeholders that meeting the expectations of stakeholders, as well as better brand positioning are the main drivers.

When looking at employee engagement, it was evident that the level of awareness and engagement of employees in CSR activities is high; which was also confirmed by the decision makers. There was an agreement among the employees on the initiatives that they believed to be part of CSR activities towards employees, such as health insurance, training programmes, sport activities, etc. This also confirms that employees are very aware of CSR activities that are oriented towards them. It

is worth mentioning that banks strive to offer their employees competitive compensation and benefits packages, as well as developing CSR activities that are oriented towards them, such as blood donation campaigns, training programmes, town halls etc., as part of their CSR strategy. This was clearly seen in the interviews conducted as well as document analysis. However, the differences in perception appeared clearly when interviewing customers who were confident that a good CSR strategy – despite agreeing on its importance – is not an important factor while deciding which bank to utilise. This opinion contradicts the view of the decision makers, that CSR is a very important factor that affects customers' banking decisions. Also, customer engagement in CSR activities was seen to be low, in contrast to employee engagement, this suggests that communication towards customers with regard to CSR activities is not very effective. It is worth mentioning that this was not recognised by the decision makers during the interviews.

In terms of communication of CSR to stakeholders, it was evident that there was a communication gap. This was seen very clearly, when interviewing customers that were less aware of the CSR activities compared to the employees who were more aware. This can be expected when using the information strategy as it is a one-way strategy that involves telling and not listening to stakeholders. Moreover, and as discussed above, the internal communication of CSR activities was seen to be more efficient than external communication. As a result, the researcher observed greater employee engagement in CSR activities than customer engagement.

When looking at stakeholder opinions on ways to improve CSR, the awareness of CSR and communication was the only area of improvement that was agreed upon by both employees and customers. Employees believed that by putting more accountability on employees by making CSR engagement a part of employee appraisals, banks would improve their CSR. Customers, on the other hand, believe that banks should focus more on youth empowerment and on the environment to improve their CSR where they saw that efforts by the banks in that regard were minimal. Finally, in terms of assessing CSR in their banks, employees believed that recognition and international awards are proof that their CSR is well recognised- which was also highlighted by the decision makers, while customers

still believe that CSR in the banking sector in Kuwait is still under development and that there is a lot to be done.

All in all, it can be concluded that the existence of a CSR strategy does not make the bank an employer of choice, neither does it make it the first selection for customers to choose. Yet, it helps in improving the perception of the bank and makes them continue the relationship with it. Furthermore, commonalities and differences were observed in the perception of CSR among employees and customers; however the commonalities were greater than the differences, as was seen clearly in customers' responses. This suggests that banks should revisit their information communication strategy towards their customers, which is currently a one-way strategy that does not engage customers in dialogue and has resulted in less engagement of the stakeholders in CSR activities.

#### **5.1.4 The impact of the 2008 financial crisis on banks, employees, and customers**

The research revealed that the global financial crisis affected CSR investment positively. Banks increased their spending and CSR campaigns during the crisis for two reasons: to contribute to society by providing remedies to social problems caused by the crisis, and also to regain trust of stakeholders and push their reputation to the forefront, especially for banks that faced a loss of trust as they were accused of playing a major role in causing the crisis. It is worth noting that although banks did not reduce their CSR budgets during the crisis, they started to be more selective in terms of the channel of spending, as well as their approach to giving. Moreover, it has been revealed from the analysis of documents that banks started to focus more on transparency, accountability, and governance; these terms were used by banks in Kuwait only after the crisis as they realised that scrutiny on responsible business increased by shareholders and media as a result of the crisis. This confirms that banks are convinced that CSR is an investment, not expenditure and hence, should not be swept aside.

As for the impact of the crisis on employees, it was evident that the financial crisis did not have an impact on their understanding of CSR, but had affected their employment decisions in terms of what to expect from their employers. On the other hand, customers' decisions were not affected by the financial crisis as it was

obvious that they did not switch their banks after the crisis. However, they started looking at trust, confidence, and transparency as defining factors.

#### **5.1.5 The impact of Islam on banks, employees, and customers**

It became evident that Islam as a religion has an impact on CSR, this was seen in all banks, whether Islamic or conventional, where both were engaged in religious causes and donations equally. It was seen that banks' approaches to religious causes were expressed in two ways: utilisation of religious occasions such as Ramadan and Eid to show that they are part of the community and are celebrating such occasions and festivals with the community, this is a very similar approach to how organisations in the West celebrate Christmas. The second engagement with Islamic causes is expressed as a commitment to society – which is religious in nature – by, for example, renovating the mosques (that are visited five times a day by Muslims), releasing an application on smart phones for the Quran (the holy book of Muslims), sending poor people to perform the pilgrimage of Haj (mandatory for all Muslims), etc. Hence, it largely involves providing aid to the community to help them perform their religious duties. In terms of how these activities are referenced in the documents of the banks and how Islam impacts the discourse in these banks, it was seen that Islamic banks tended to highlight within the body of text that the CSR initiative is associated with Sharia's guidance, or that Islam is a foundation of the bank's CSR programme. Hence, authoritative legitimisation using words such as Quran, Sharia, etc. was very common when justifying participation in such initiatives, most probably to establish legitimacy in the eyes of a Muslim audience.

On the other hand, conventional banks focused more on instrumental rationalisation as a way to justify these activities, by emphasising how participation in such activities contributes to the well-being of society. This is expected since the audience here comprise both Muslims and non-Muslims. Therefore, establishing legitimacy from an authoritative perspective is not needed.

Hence, one can conclude that Islam does have an impact on the way CSR is implemented and presented in the Kuwaiti banks, and that both conventional and Islamic banks engage in religious causes, however, each have a different way of

justifying their participation. Moreover, the Islamic approach to CSR seen in bank practices is very similar to the ethical theories identified by Garriga and Mele (2004), and more specifically the “common good approach”, which calls for contributing to the common good by creating wealth and providing services to the community in a fair way.

When looking at the impact of Islam on employees and customers, it was evident that Islam does not affect their employment and banking decisions, neither it affects their understanding of CSR and how they define it. However, it has been seen that Islamic activities were easier to be recalled by them due to their morality.

## **5.2 Significance of research: closing the gaps**

This section serves to close the gap in knowledge by highlighting what was known from the literature and what was not known, and then what the field research has revealed that will help in closing the gap. The researcher will highlight these gaps in the following points which will also serve to provide the overall conclusion derived from this research.

**The definition of CSR:** the literature review revealed that there has been an evolution of the definition of CSR, where it has developed from the obligation of business people to pursue social responsibilities in the 1950s, to the conduction of social activities that have a direct impact on performance in the 1970s. In the 1980s, the stakeholder theory was presented by Freeman (1984) which moved CSR to the next level of having a “natural fit” between CSR and the organisation’s stakeholders. Although in the 1990s the definition of CSR did not expand much, a number of interesting concepts emerged, such as corporate social performance and the triple bottom line. In the 2000s, the concept of linking CSR to the core business was introduced and CSR started to be regarded as an independent management field. The literature review also discussed various theories that could help to better understand different perspectives of CSR and thus be able to describe this phenomenon more clearly. Yet, it was concluded that despite the various definitions and theories, academics and authors still believe that there is no universal definition that can explain CSR and that it remains an elusive concept.



It was evident that the literature lacked a Middle Eastern definition of CSR. Most articles are written by Western scholars or those based in Western economies. Nevertheless, a few did argue that CSR could be interpreted differently at different times or in different places (Campbell, 2007; Blowfield and Frynas, 2005; Dartey-Baah and Amponash-Tawiah, 2011) and this was highlighted in the literature review. Since this research focuses on a study from Kuwait, the researcher believed it important to investigate and establish whether the understanding of CSR in the Middle East is the same as that in Western economies. The findings of this research revealed that there is high a level of awareness of what CSR is about. By looking at the way it is defined by interviewees, as well as its by looking at practices within the banks, the researcher can conclude that CSR in Kuwait has the same evolution of concept seen in the literature, from pursuing mere social responsibilities towards the communities in which banks operate (as is the case for banks that are still developing in terms of CSR), to extending this to other stakeholders (in the case of more CSR conscious banks), and finally having CSR linked to the core business of the banks (those considered advanced in the application of CSR – which in the case of this research applied to three banks only). In these three banks, CSR is believed to contribute to the well-being of the organisation as a whole. Moreover, the definitions provided by the banks themselves were also close to the international definitions of CSR from any part of the world, hence, one can conclude that CSR definition in Kuwait is no exception, and is very similar to the definitions provided by many scholars in the literature review.

**CSR implementation in the banking sector in Kuwait:** prior to conducting this research, nothing was known about CSR implementation in the banking sector in Kuwait – considered to be the main gap in knowledge. Now that findings are revealed and conclusions drawn, the gap has been closed as the integration of responsible practices by Kuwaiti banks is properly understood. CSR started with simple services offered by banks to enhance the quality of the community, and has developed to a broadened scope that is aligned with the bank's mission and vision and is an integral part of the strategic plan of the bank. Moreover, and as part of the development of CSR in the Kuwaiti banks, it has been seen that three banks

are now issuing an annual CSR report, where one of these is issued as per GRI standards.

Furthermore, the CSR strategy in Kuwaiti banks is sponsored and supported by the board of directors, which reflects the importance and the attention given to CSR in the Kuwaiti banks. However, despite advancements in the adoption and implementation of CSR, it was found that there was no monitoring of CSR investments and outcomes. Hence, measurement of results is a challenge. In addition, despite the importance given to CSR, there was no dedicated department in charge of developing and executing CSR strategy, and responsibilities were diluted among various stakeholders, however, the public relations department has general dominance.

**CSR framework:** As discussed previously, nothing was previously known about activities being undertaken under the name of CSR in Kuwaiti banks, such as the types of activities undertaken, the processes of CSR, or the way CSR is communicated to stakeholders. As the research revealed, there was a huge similarity across banks in terms of activities undertaken, where education, healthcare, and national employment were the three main initiatives sponsored by the Kuwaiti banks. Little attention was given to environmental initiatives, which can be seen as justified due to low awareness of the importance of sustainability nationwide. In terms of the guidelines in developing and shaping a CSR framework, it was evident that this was driven by the community's needs, as well as the national direction, where banks try to make a positive contribution to national concerns and map their activities accordingly, such as the high rate of unemployment, the poor educational and health system in the country, etc. Hence, the CSR framework is not built in isolation of community's needs and concerns. This is aligned with what the literature has discussed in terms of types of CSR activities conducted by organisations. In terms of CSR processes, the researcher used Maignan and Ralston's (2002) model to identify the processes used by the banks, since these were also unknown. The research revealed that seven processes were emphasised by all banks: community engagement and communication, philanthropic programmes, corporate governance and compliance with law, risk management, health and safety programmes, employee community

involvement, and sponsorships. Nevertheless, none of the banks established an independent CSR organisation, such as an institute or foundation, aimed at carrying out CSR activities. The CSR communication framework was also not known prior to conducting this research, but the findings now reveal that banks in Kuwait adopt the information communication strategy, as explained by Morsing and Schultz (2006) as a one-way communication that does not engage stakeholders. Hence, this is a controlled information method, as described by Bivins (2004), which could create a communication gap.

**CSR motivations:** the literature revealed various motives that drive organisations to adopt corporate social responsibility strategies. Kotler and Lee (2005) identified six motives: increasing sales and market share, having a better brand position, improving corporate image, share, attracting and retaining employees, decreasing operating costs, and increasing appeal to investors. On the other hand, Maignan and Ralston (2002) believed there to be three principles followed by corporations to motivate CSR involvement: value-driven, stakeholder-driven, and performance-driven. Hence, the drivers for exercising CSR have been well discussed and understood from the literature. However, the motives of the Kuwaiti banks were not known and it was not clear if the above-mentioned drivers were applicable to the Kuwaiti case. By looking at the findings of the research, it is evident that the most frequent motives that drive banks in Kuwait to exercise CSR are: increased demand from stakeholders to be socially responsible, better brand position, and positive contribution to the bottom line. This concludes that the motives of the Kuwaiti banks are just like any other sector in any part of the world, and are of no exception.

**CSR and the financial crisis:** A substantial body of literature suggests that CSR budgets are cut during recessions (Ozkan, 2009; Karaibrahimoglu, 2010). At the same time, many authors claim the opposite, where they believe that CSR shall be capitalised on more during crisis periods to make positive contributions to the society under recession (Yelkikalan and Kose, 2012; Fernandes and Souto, 2009; Iwacewicz-Orlowska, 2010). Hence, these are two contradicting views. The researcher believed that since the topic was about CSR and covered the period when the global financial crisis hit the world, it was an ideal opportunity to explore

which school of thought banks in Kuwait followed. According to the findings of the research, the financial crisis had a positive impact on CSR spending, as banks started to be wiser in terms of spending, and prioritised their initiatives. Moreover, it was seen that most of the banks increased their spending to participate in providing aid to the community, in order to solve problems caused by the crisis as well as to regain missed trust, due to unethical transactions undertaken that had an influence on the crisis in some of the banks, and maintain their reputation. Furthermore, it was unknown if the financial crisis affected the employees' and customers' perception and decisions in the Kuwaiti banks; therefore, the research was an opportunity for exploring this affect. It was concluded that the impact of the financial crisis on employees and customers was different; although the employees' perception of CSR did not change, their decisions were affected as a result of the crisis. On the other hand, the crisis affected customers' perception but did not affect their decisions.

**Islam's influence on CSR:** as discussed in the literature review chapter, little was found in the literature regarding the relationship between Islam and CSR and the way it impacts CSR practices. This led the researcher to look at principles of Islam believed to be similar to the prevailing notion of CSR, such as Zakat, orphans, justice, and ethics, and investigate their effect on business practices. As a result of the review of literature, the researcher concluded that there is a great analogy between the concept of CSR and Islamic values that provide a basis for social well-being and welfare for members of society. Moreover, the Islamic approach of CSR is very similar to the ethical theories identified by Garriga and Mele (2004), and more specifically the common good approach which calls for creating wealth and providing services to the community in a fair way. In addition, the researcher also concluded that social responsibility has been an integral part of Islamic society for more than 14 centuries. However, the literature did not reveal whether corporations in Islamic countries were inspired by the Islamic teachings when formulating their CSR strategy. Thus, the researcher tried to get an insight into how Islam affects the way CSR is implemented and presented in the banking sector, by interviewing the decision makers of CSR and getting to know from them the level of support they give to religious causes, as well as their commitment to Islamic concepts from a social perspective. The researcher also looked at the

documents of banks in an attempt to investigate the impact of Islam on CSR reporting and legitimisation, which is also an area that is not recognised. The research findings revealed that Islam does have an impact on CSR practices in both conventional and Islamic banks equally. However, each follow a different approach in legitimising their participation and engagement of activities associated with being religious, whereby Islamic banks tend to use authoritative legitimisation, while conventional banks use instrumental rationalisation by communicating the positive contribution to the society as a result of conducting social activities. Moreover, the literature lacks evidence on Islam's impact on stakeholders' perception and decisions in regards to CRS, and the findings of this research revealed that employees' and customers' perception and decisions were not affected by Islam.

**CSR impact on stakeholders:** it is known from the literature that stakeholders can affect the company positively or negatively (O'Riordan and Fairbass, 2008). Hence, it is of great importance for organisations to identify to whom they are responsible and how far this responsibility extends. Freeman (1984) also stressed in his stakeholder theory that the survival of any organisation is based on how much this organisation is satisfying its stakeholders. Furthermore, organisations will not reap the benefits of being responsible to their stakeholders if these responsibilities are not communicated properly (Maignan and Ferrel, 2004). Since the research discusses a CSR case in a specific context, i.e. the banking sector, the researcher believed that it was important to learn how the practices of CSR in the banking sector in Kuwait impact various stakeholders, especially in light of the fact that no previous research had been done in that regard or in this part of the world, that specifically measured the impact of CSR practices on stakeholders. Now, and as a result of the research, it is known that banks in Kuwait give more attention to internal stakeholders and, most importantly, the customers and that little attention is given to external stakeholders such as the media, government and critics.

It was also revealed that CSR is not considered to be an evaluation factor by stakeholders when making decisions about the bank, be it an employment decision or banking decision. Yet, evidence of CSR may motivate stakeholders to

continue with the bank and contribute to building a good perception about the bank. It was also found that banks in Kuwait use the information communication strategy which was observed to be creating a communication gap, as this strategy does not require the engagement and involvement of stakeholders.

### **5.3 Further research**

Research of corporate social responsibility stretches into an array of fields. Therefore, this research tried to cover different aspects of CSR. It would be interesting to narrow down and focus on a specific field of CSR to be researched within the Kuwaiti Banks such as Corporate Governance, financial transparency, environmental responsibility, CSR reporting etc. Furthermore, it would be interesting to conduct a larger study by conducting a comparative study across various industries in the private sector in Kuwait through the use of multiple case study design in order to check if the same patterns emerge.

Due to time limitation, the researcher was not able to capture the opinion of all stakeholders such as shareholders, suppliers, media, critics, and environmentalists to have a better understanding of the CSR depiction in the banking industry. The researcher also was not able to interview all the decision makers in the banks; in fact, the researcher limited the decision making of CSR to one person while others could be involved as the findings of the research revealed, such as the CEO and the chairman of the board. Therefore, this research can be extended to capture other stakeholders as well as more decision makers.

Moreover, the research revealed that CSR is strategic in the Kuwaiti Banks and is aligned with their overall corporate strategy. The research also revealed that the integrated concept of CSR is not yet understood in Kuwait. Therefore, there is a need for research in the area of CSR strategic implementation where it would be interesting to propose a comprehensive and integrative framework for CSR strategic implementation. It was also shown from the findings of the research that banks in Kuwait exercise CSR to meet stakeholders' expectations. Yet, it was seen that having CSR did not really impact the stakeholders' decisions. Therefore, it would be interesting to develop a wider understanding of the role of the

stakeholders and their importance in developing a CSR strategy and to what degree do companies in Kuwait use the stakeholder management approach.

This research investigated the effect of the global financial crisis on CSR investment which was found out to be positive. It would be interesting to extend this area of research to investigate the relationship between corporate social responsibility and crisis management in the Kuwaiti banks especially that the findings of the research revealed that banks in Kuwait do not have a proper crisis management, and the review of literature indicated also that there is a relatively little research regarding this topic within academia. Therefore, there is an opportunity for future research to reduce this gap. Moreover, this research focuses on the relationship between CSR investment and the financial crisis and does not investigate the role of CSR as a reservoir of goodwill during a crisis which could be also an interesting extension of this research.

Although CSR communication has been discussed in this study, it is yet a big and interesting area of research that can be investigated extensively. Hence, investigating how private sector in Kuwait communicate CSR and legitimize their message can be further researched.

## **Chapter 6: Recommendations and application of findings to practice**

The purpose of this chapter is to examine the research in terms of its ability to contribute to practical application in the industry, by drawing up practical recommendations that will increase and enhance the efficiency of CSR practices in Kuwaiti banks based on the major findings of the research. Furthermore, the researcher strongly believes that these recommendations can be implementable to any industry, as it was seen from the findings that the application of CSR in the banking industry in Kuwait does not differ from any other industry in any part of the world.

This chapter will also reflect on how the research influenced the researcher's personal and professional life.

### **6.1 Recommendations**

**CSR definition:** The responses obtained from the employees and customers, as well as from some of the CSR decision makers themselves, demonstrated that the definition that explains the scope of CSR in Kuwaiti banks is not well communicated. Hence, banks need to have a clear and, most importantly, communicated definition of CSR, because having a clear definition will lead into developing and implementing clear programmes and will help in explaining the company's social goals to the stakeholders.

**Awareness of CSR:** it is important for organisations to participate in increasing the knowledge about CSR. This could be done by conducting awareness seminars that explain to the public what CSR is all about, in addition to targeting members of society at an early stage by partnering with schools to conduct educational programmes that could teach students the benefits of social responsibility. Banks can also use the "triple bottom line" approach explained earlier in their annual report, by reporting the social, environmental, and financial activities. This will insure that stakeholders are well informed of the bank's CSR activities. Furthermore, banks should advertise their CSR activities, and the message used



should be consistent and clear for the customers and other stakeholders to remember.

**CSR reporting:** it was seen that only three banks in Kuwait produce a CSR report. Banks need to know that by reporting their environmental, economic, and social activities, they will be able to engage with stakeholders and maintain a meaningful dialogue on the direction of the business. Moreover, banks need to understand that disclosure of their social activities in the form of reporting can serve as a differentiator in competitive industries, such as banking, and can foster investor confidence, and build trust and employee loyalty. It is advisable for banks to adopt a global social standard of reporting such as the Social Accountability 8000 standard or the Global Reporting Initiative. In addition, it is advisable to have the information published in social responsibility reports verified by independent third parties. Moreover, it was seen that none of the banks had a clear mechanism to monitor progress and results. Therefore, banks need also to set relevant, clear, monitorable and auditable key performance indicators that will be presented in their CSR reports every year. This will definitely deepen the understanding of social demands and management issues, as well as help to drive continual improvement in CSR plans. The Central Bank should also play a role by enforcing the submission of an annual CSR report by all banks.

**CSR integration:** CSR should be integrated into every part of the bank and aligned with the vision and values of the bank. It should be embedded in the organisational culture and core business operations as well as the corporate identity. As banks in Kuwait are now moving away from asking whether or not to engage in CSR, they should be looking for the best way forward to craft CSR programmes that reflect their business values, while addressing social, humanitarian and environmental challenges. The CSR strategy thus should unify the diverse range of the bank's philanthropic giving, supply chain, cause marketing, and system level initiatives all under one umbrella. Moreover, there should be a separate entity or department that should take the responsibility of developing and implementing CSR strategy, rather than having this as part of public relations activities. This entity should also be in charge of setting CSR targets which should be formulated in consultation with the business units. The

monitoring of progress towards achieving these targets and the sharing of best practices would also be done by the CSR department, which would also coordinate the integration of CSR within the business operations. Furthermore, banks must ensure that this entity or department has access to the Board, in order for the strategy of the bank to address long-term issues that will create sustainability. That is why, it is recommended to have this department reporting directly to the CEO.

**CSR communication:** The impact of corporate social responsibility programmes depends on the alignment with the expectations of stakeholders. Banks should define, consult, and engage those stakeholders in their programme to ensure that their activities are seen as relevant to both the business and the stakeholders. Furthermore, banks need to ensure better communication internally and externally to increase stakeholders' awareness and engagement. It is also recommended for banks to move away from using an information strategy only, and focus on using the three strategies mentioned in Chapter 2. Both the information and the response strategies are important as they inform and encourage responses from stakeholders. The involvement strategy, on the other hand, should also be used to engage stakeholders in the dialogue of CSR, and to allow them to raise their concerns and expectations which will help the banks to identify those expectations and meet them.

**Environmental concerns:** Environmental sustainability should be a key element in the banks' social responsibility efforts. Banks need to establish environmental policies, goals and practices that help guide their activities inside and out. This should be incorporated into the following:

- Bank operations: such as recycling programmes in branches and departments.
- Lending: environmental protection should be taken into consideration when making lending decisions. Hence, banks should not approve any project lending without the incorporation of environmental due diligence into the lending process. This can be done through site visits and assessments of a client's environmental record.

- Products and services: banks should look at developing green products and services such as paperless statements, automated transactions, and co-branded credit cards with environmental charities.
- Community activities: banks should give generously to support environmental projects across the country.

**CSR throughout the supply chain and through external stakeholders:** Banks should apply their ethical, social, and environmental standards to their partners, affiliates, and suppliers throughout their supply chains. This can be done by establishing written supplier requirements wherein social and environmental performances are reported, supplier performance is monitored, compliance with the written requirements is verified, and training is provided on CSR issues, thus contributing to suppliers' awareness. In addition, banks should pay attention to external stakeholders as much as internal stakeholders. This has a cascading effect and will allow the banks to make a larger impact towards improving the social and environmental performance of the sector.

**CSR during crisis and uncertainty:** In times of uncertainty, it is more urgent than ever to communicate effectively with stakeholders to gain trust and push reputation to the forefront. Hence, CSR should not be compromised during crisis, but instead should:

- be more strategic: by being more focused in the selection of projects, and using new tools for assessment to better measure project impacts
- be more focused on transparency and accountability to regain stakeholders' trust
- apply best practices of corporate governance and raise standards to protect the wealth of millions of shareholders
- have crisis and reputation management processes in place: as credibility and reputation of organisations is deeply influenced by the perception of their responses during crisis situations. A consistent communication is a must to contribute to a successful crisis-communication process.

**Employee engagement:** Banks need to engage their own staff and let them be a key part of their CSR programme, especially considering that a high percentage of

employees interviewed stated that participating and engaging in CSR activities is important to them. This can act as a powerful motivating factor and will increase their loyalty. Although, as the research revealed, having CSR does not make the bank an employer of choice, it will definitely affect the perception of the bank in a positive way and the willingness to continue to work for the bank. Furthermore, communicating the bank's CSR objectives and the expected outcomes will help employees to better understand the contributions the bank is making. In the end, employees cannot be proud of something they are unaware of. Moreover, they should be given the opportunity to give input about which types of initiatives are important to them, and to participate in the efforts, since investing in the initiatives that are important to employees will increase the importance they attach to CSR, and the commitment they have to the bank. Also, banks in Kuwait should encourage their employees to participate in community volunteering; this can be done by suggesting specific causes and charities where employees can participate, organising volunteer groups for a specific cause or event, providing paid time off during the year for employees to use for volunteer work, and recognising and awarding employees who volunteers. Lastly, banks can enforce employees' CSR engagement by having it set as part of their performance assessment.

**Customer engagement:** It was evident from the findings that customers were not very aware of CSR activities carried out in their banks, which negatively affected their engagement. As discussed earlier, banks need to revisit their communication strategies in general, and should also focus more on customer feedback, and have continuous and ongoing dialogue with them. There are many methods that banks could consider to strengthen their relationships with their customers, such as surveys, customer reviews, responses on the bank's website and social media, and through customer feedback. All of these tools can be used to involve customers and get their opinion on what they care about most. This will lead to clear objectives for any CSR investment, as being involved in CSR initiatives that have no concern for the customers will not provide the reputational benefit to the bank. Reputational benefit is in direct proportion to the degree of passion the customers – not the bank – feel for the particular CSR investment. Furthermore, it was clear from the findings that the main factors that made customers have a

good perception of the bank were the customer service, innovative offerings, and trust. Hence, banks need to – as part of their social responsibility towards customers – ensure they provide an optimal customer service level as well as offer innovative products and services that contribute to social sustainability. Furthermore, trust and transparency are as important to corporate reputation as the quality of products and services. Thus, banks in Kuwait need to build customer trust through strong customer-employee relationships, acting on customer feedback, honest advertising of products and services, protecting customer information, being transparent when disclosing information, and ensuring integrity in business transactions. All of these factors will contribute positively to customer perceptions about the bank and will help in making it the bank of choice.

**Government role:** The government should recognise the positive contribution organisations make to a better society. Therefore, governments should look for ways to encourage organisations to adopt CSR by rewarding the top players and acknowledging their efforts on a national level. Although CSR is widely viewed as a series of voluntary activities that organisations take part in that are above and beyond regulatory requirements, governments should find ways of developing and implementing policies that enforce CSR practices throughout the business community to promote competitiveness at a national level. This can be done through the development of laws, regulations, and penalties that will regulate CSR practices by defining minimum standards for organisations to comply with, establishing targets for them to achieve, setting inspections to oversee business conduct, and imposing mandatory environmentally friendly systems. Furthermore, an alliance between the government and private sector to fund collective initiatives should also be considered to deal with social demands that cannot be met by the government alone, such as health care, education, and employment initiatives.

**National concerns:** While developing their CSR strategy, banks should look at areas that represent a national concern. In Kuwait for instance, citizens are very concerned with the quality of the educational and health systems, youth development, and the increasing rate of unemployment among Kuwaitis. Therefore, banks are expected to intervene in those areas and facilitate sustainable solutions to the challenges faced by Kuwaiti citizens. By doing so, the

public will feel that the banks are concerned with the problems of society and are solving them or contributing to the development of possible solutions. This could be done by providing scholarships to reputable schools, funding governmental schools that suffer from a lack of resources, refurbishing hospitals, increasing awareness of certain diseases that are highly spread in the country, sponsoring youth initiatives, conducting summer training schemes for the young in the banks, providing job opportunities for Kuwaitis in the banks, as well as training and developing them. Also, banks should not only rely on media to know what are the national concerns, they should approach and be closer to their stakeholders and listen to them to understand their major concerns by conducting focus groups and surveys. By doing so, banks will demonstrate that they are really aligning their strategy with the needs of the community.

**Socially responsible business practices:** Banks should adopt and conduct socially responsible business practices to improve community well-being and protect the environment. Banks can do so by designing their branches in a way that meets environmental and safety guidelines, selecting suppliers based on their willingness to comply with sustainable environmental practices, adopting recycling initiatives, developing programmes that support employee well-being (such as workplace day-care, flexi-time attendance, gym facilities, etc.), providing access for disabled community members (such as the talking ATM for visually impaired people), and protecting the privacy of customer information.

**Human rights:** both literature review and the findings of this research revealed that human rights are not given any attention by the banks. As highlighted in chapter two, none of the Kuwaiti banks have participated in the UN Global Compact. Therefore, banks should adopt the UN Global compact as well as the SA8000 which have the objective of supporting economic, social and political justice by companies. Banks should also produce a clear code of conduct that covers working conditions and human rights, and it should be applied at every level of the organisation. Banks should also understand the impact of their activities on the human rights of their employees and the community.

## **6.2 Personal and professional reflection**

The last six years journey of researching was very meaningful to the researcher as it made a difference to her personal and professional life, as well as to her organization.

On a personal level, the researcher learned the importance of having a vision that drove her all the way to the submission of the thesis. Remembering this vision during the difficult times and despair helped her to reach her goal and get there. Researching has also strengthened her observation and the ability to link and connect to solve a problem or reach a conclusion, besides developing an untiring desire to explore, learn, and think deeply.

On a professional level, and as a Head of Marketing in the bank where the marketing intelligence and research functions report to her, the researcher is now putting more emphasis on the use of multiple sources of evidence when conducting a study as she learnt that findings are likely to be more convincing and accurate when using evidence-based decision making as the decision will be based on the collected data, decision maker's expertise, and the opinion of customers. Furthermore, the research allowed her to value the outcome of qualitative research, which is not appreciated in financial institutes in Kuwait as they only look for objective and measurable results. Now, the researcher is using interviews and focus groups as she learnt from her experience in research that these can get her the opinions of the participants, which will allow an understanding of what cannot be directly observed, and to comprehend the meanings people assign to their experiences. The adoption of these methods helped the bank to better understand customers' concerns and needs.

At the organisational level, having the opportunity to listen to employees' and customers' concerns regarding CSR, and understanding their needs, contributed to improving CSR in the bank where the researcher works ; this feedback led to actions being taken, and the bank's strategy reviewed accordingly

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## Appendices

### Appendix 1: Sample Letter to Decision Makers



Date

Dear

Title

Name of the Bank

I am a part-time Doctorate of Business Administration (DBA) student, pursuing the programme from the University of Bradford, in the United Kingdom. My research is concerned with exploring how Corporate Social Responsibility is understood and works in practice in the Kuwaiti banks. It aims to review the current approach and practice of CSR in the banks in Kuwait and try to identify the key themes of CSR in this sector. This is an interesting research area since there are very few, if any, studies that have examined CSR policies in practice in Kuwait or in the banking sector in particular. The recommendations from this research will lead to the development of a framework to be used by practitioners in the CSR field when developing CSR programmes, and will also help in finding ways of improving CSR in Kuwait's banking sector, and inform management of the banks on important aspects of CSR.

I would like to meet with you to ask for your views on this important topic. The questions for the interview are attached. With your consent, I would like to record this interview, for the purposes of this research only. Your responses will of course remain confidential and anonymous. Participants in the research will receive a managerial report summarizing the findings and I will personally present to you a summary of the output if you wish.

I hope that you will agree to participate in this research, at a date and time of your convenience.

Thank you for taking the time to read this request and I am very much looking forward to your support.

Best regards

Hanin Al Rumaihi

Mobile: 97500 400

Email: rumaihi\_h@yahoo.com

## **Appendix 2: Interview Guide: Decision Makers**

### **CSR understanding and definition**

1. How do you personally define CSR?
2. How is CSR defined in the bank?
3. How long has the bank been involved in Corporate Social Responsibility?

### **CSR conceptualization and practices in the Kuwaiti banks**

1. Can you walk me through the evolution of integration of more responsible practices into the bank's business?
2. Is your CSR strategic? Or tactical? And how is it aligned with your values, vision and mission?
3. Can you explain how you derive your CSR strategy? (Prompt: How do you select the initiatives to engage in? Whom are you involving in the formulation of the strategy? Who are the decision makers?).
4. What challenges with regard to CSR did you find? And what do you find to be particularly challenging about CSR in the banking sector?
5. Where does the CSR department/ or management fall in the organization structure? (Prompt: Does it take a core role in the organization's strategic decision making? Why? Why not?).
6. How do you respond to changes in social and political circumstances? (Prompt: How do you identify the problems/issues you have to deal with? Any mechanism in identifying such changes? Can you give me an example?).
7. How would you evaluate your CSR programme?
8. How would you evaluate your bank's CSR performance in relation to your competitors?
9. What kind of social responsibilities does your bank have? (Prompt: What kind of CSR activities the bank participates in? What are the most important issue areas?).
10. How do you choose CSR activities that you will be participating in? (Prompt: How can you ensure that there is a good fit between the cause you are supporting and the bank's strategy?).
11. What contextual factors have affected the way CSR is exercised in your bank? (Prompt: industry trends, competitors practice, market size, government, and other industry specificities).
12. What are the bank's main motives and drivers in exercising CSR? (Prompt: why are you exercising CSR? What is the bank's rationale for exercising CSR?).
13. Have those motives and drivers evolved over time? If yes, what have been the reasons for this evolution? If no, why do you think not?

14. Do you think that the main drivers differ from company to another? One industry to another? If yes, what are the reasons and factors that can explain these differences? And what in your opinion are the most important drivers in the banking sector?

15. What does the bank expect to gain from CSR and what does it expect for society to gain?

16. What are the major costs and benefits that the bank gains from its corporate social responsibility effort?

#### **Banks and their stakeholders**

1. Which stakeholder do you consider having the biggest impact on the bank regarding your CSR activities? And why?
2. How can you describe the employees' engagement in CSR activities?
3. What kind of CSR initiatives do you offer to your employees? (Prompt: flexible hours, development, health care, workplace issues, etc.).
4. In your opinion, does being socially responsible makes the bank an employer of choice?
5. In your opinion, what do customers expect from their banks in term of social responsibility and do you believe that being socially responsible will affect the customer's decisions? (Prompt: competitive advantage, business opportunities).
6. How do you communicate CSR to your stakeholders? (Prompt: press releases, annual reports, etc).

#### **The impact of the financial crisis on CSR conceptualization and practices**

1. Do you have an agreed budget for CSR activities? Can this number be revealed?
2. Did the global financial crisis have any effect on CSR spending?
3. Has the CSR strategy of the bank changed as a result of the financial crisis? If yes, how?

#### **Impact of Islam on CSR conceptualization and practices**

1. Do you participate and support religious causes and initiatives?
2. How can you describe the bank's commitment to Islamic concepts from a social perspective?

#### **Banks' opinion on ways of improving CSR policy and *practice***

1. In your opinion, how can CSR be improved in the banking sector in Kuwait?
2. Any other comments?



## **Appendix 3: Interview Guide: Employees in the Banks**

### **Background**

1. Age:
2. Gender:
3. Please briefly describe your current job, roles and responsibilities in the bank?
4. How long have you been working for this company?
5. What was the reason that made you decide to work for this company?

### **CSR understanding and definition**

1. Are you familiar with the term corporate social responsibility (CSR)?
2. What is your understanding of this term?
3. Do you have a CSR programme in your bank?
4. Do you know how corporate social responsibility is defined in your bank?

### **Influence of CSR on employees' attitudes and decisions**

1. Can you give me examples of CSR activities in your bank?
2. How do you know about the CSR activities in the bank? (Prompt: How does the bank communicate its CSR activities?)
3. Why do you think your bank is exercising CSR? Do you think it should? Why/ why not?
4. Does having CSR affect your perception of your bank?
5. Can you describe any CSR activities carried out by the bank that are oriented toward the employees?
6. Did having a CSR strategy affect your decision to join this bank? (Prompt: did it make it your employer of choice? Is it important for you?)
7. Does having a CSR strategy motivate you to continue to work for this bank?
8. Have you ever engaged in CSR activities in the bank? (Prompt: Does the bank ask you to volunteer in their CSR programmes? Do you do that voluntarily?)
9. How important is it for you to be engaged in the bank's CSR activities?
10. Does engaging in CSR activities motivate you to continue to work for this bank?
11. How does the bank show appreciation for your efforts that are in line with their CSR initiatives?
12. Would you mind working in an organisation that does not have CSR?

**Employees' opinion on ways of improving CSR policy and practice**

1. How do you assess corporate social responsibility in your bank?
2. What do you wish to see in terms of CSR that you are not seeing today in your bank?

## **Appendix 4: Interview Guide: Customers of the Banks**

### **Background**

1. Age:
2. Gender:
3. Preferred bank:
4. For how long have you been banking with this bank?

### **CSR understanding and definition**

1. Are you familiar with the term corporate social responsibility (CSR)?
2. What is your understanding of this term?
3. Does your preferred bank have a CSR programme?
4. Do you recall some of your preferred bank CSR activities? Can you give me examples?
5. How do you know about the CSR activities carried out by your preferred bank?

### **Influence of CSR on customers' attitudes and decisions**

1. In your opinion, which areas should banks focus on more to contribute to society?  
(Prompt: what banks should do to be considered socially responsible?)
2. Why do you think your preferred bank is exercising CSR? Do you think it should?  
Why/why not?
3. Do you think it is important for the banks in Kuwait to exercise CSR?
4. Is CSR important to you as a customer? Does having CSR affect your decision in selecting the bank of your choice?
5. Have you ever participated in any CSR activity that your preferred bank exercises?
6. Do you have a good perception of your preferred bank? What are the main factors that made you have this good perception? (Prompt: Is CSR one of these factors)

### **Customers' opinion on ways of improving CSR policy and practice**

1. Which bank in your opinion is the most socially responsible bank in Kuwait?
2. How do you assess corporate social responsibility in your preferred bank?
3. What do you wish to see in terms of CSR that you are not seeing today in your bank?

## Appendix 5: Document analysis results

Bank										
	NBK	Gulf Bank	Burgan	Commercial	Ahli	KFH	Boubyan	AUB	KIB	Frequency
PRINCIPLES MOTIVATING CSR										
1. Performance-driven CSR	x		x			x				3
2. Value-driven CSR	x	x	x				x	x		5
3. Stakeholder-driven CSR	x	x	x	x	x				x	6
CSR PROCESSES										
1. Community engagement and communication	x	x	x	x	x	x	x	x	x	9
2. Management of environmental impact	x	x				x	x			4
3. Code of ethics and business conduct		x	x			x			x	4
4. Philanthropic programmes	x	x	x	x	x	x	x	x	x	9
5. Business operation	x		x	x		x		x		5
6. Corporate governance	x	x	x	x	x	x	x	x	x	9
7. Human resources processes	x	x	x	x	x	x	x	x		8
8. Risk Management	x	x	x	x	x	x	x	x	x	9
9. Health and safety programmes	x	x	x	x	x	x	x	x	x	9
10. Supply chain management	x		x	x		x				4
11. Employee community Involvement	x	x	x	x	x	x	x	x	x	9
12. Sponsorships	x	x	x	x	x	x	x	x	x	9
13. Quality programmes	x	x	x					x		4
14. CSR report	x		x			x				3
15. International CSR activities	x			x		x	x			4
16. Anti-corruption policies			x	x	x			x	x	5
17. Independent CSR Organisation										0
STAKEHOLDER ISSUES										
1. Community stakeholders										
• Quality of life	x		x	x	x	x	x	x		7
• Protection of the Environment	x	x		x	x	x	x	x		7

<b>Bank</b>										
	NBK	Gulf Bank	Burgan	Commercial	Ahli	KFH	Boubyan	AUB	KIB	Frequency
• Education	x	x	x	x	x	x	x	x	x	9
• Human rights			x							1
• Arts and culture	x		x	x	x	x		x	x	7
• Safety				x					x	2
• Animal welfare		x								1
2. Customer stakeholders										
• Quality	x	x	x		x	x		x	x	7
• Safety	x	x	x		x			x	x	6
• Data protection		x	x		x	x		x		5
3. Employee stakeholders										
• Health and safety	x	x	x		x	x	x			6
• Equal opportunities			x			x				2
• Learning and Development	x	x	x	x		x	x	x	x	8
• Employee care	x		x		x	x	x		x	6
4. Shareholders/investors	x	x	x	x	x	x	x	x	x	9
5. Suppliers	x		x			x				3
6. Competitors										0
<b>ADDITIONAL CSR THEMES</b>										
1. Transparency	x	x	x	x	x			x	x	7
2. Sustainability						x				1
3. Accountability	x	x								2
<b>ISLAMIC REFERENCING</b>										
1. Authorisation		x			x	x	x	x	x	6
2. Moralisation	x	x								2
3. Instrumental rationalisation	x		x	x						3